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SUBMISSION TO THE

ROYAL COMMISSION ON ENERGY

BY

**UNION GAS COMPANY OF CANADA, LIMITED
AND ITS SUBSIDIARIES**

JULY 1958

**ANNUAL REPORTS AND PROSPECTUSES
OF UNION GAS COMPANY OF CANADA, LIMITED
AND ITS SUBSIDIARIES**

Submission To The
ROYAL COMMISSION ON ENERGY

By

Union Gas Company of Canada, Limited
and its Subsidiaries

July 1958

Annual Reports and Prospectuses
of Union Gas Company of Canada, Limited
and its Subsidiaries



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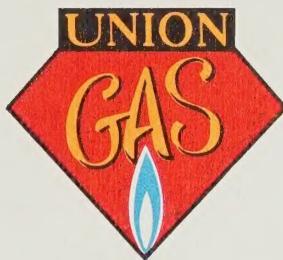
UNION GAS COMPANY OF CANADA, LIMITED

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Annual Report

for the year ended
March 31, 1958

UNION GAS COMPANY OF CANADA, LIMITED



UNION GAS COMPANY OF CANADA, LIMITED

HEAD OFFICE, CHATHAM, ONTARIO

The Company and its subsidiaries are engaged in purchasing, producing, storing, transmitting and distributing natural gas in numerous municipalities in Southwestern Ontario.

SUBSIDIARY COMPANIES

WHOLLY-OWNED

CITY GAS COMPANY OF LONDON:

Distributing natural gas in the City of London, Ontario, and in the Townships of London and Westminster.

ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED:

Purchasing, storing and transmitting natural gas; selling natural gas to utility companies and commissions for resale, and transmitting and storing gas for other utility companies.

PARTIALLY OWNED

UNITED FUEL INVESTMENTS, LIMITED:

A holding company with the following wholly-owned subsidiaries:

HAMILTON BY PRODUCT COKE OVENS, LIMITED:

Manufacturing coke and related by-products.

UNITED GAS LIMITED (formerly United Gas and Fuel Company of Hamilton, Limited):

Distributing gas in Hamilton, Ontario.

UNITED SUBURBAN GAS COMPANY, LIMITED:

Distributing gas in Oakville, Burlington, Dundas, Milton, Georgetown, Acton, Bronte, Waterdown and other territory adjacent to Hamilton, Ontario.

* * *

By Supplementary Letters Patent dated March 10, 1958, the name of United Gas and Fuel Company of Hamilton, Limited was changed to United Gas Limited.

As of April 11, 1958, United Suburban Gas Company, Limited became a wholly-owned subsidiary of United Gas Limited.

* * *

Union Gas Company of Canada, Limited owns 89,902 of the outstanding 90,000 common shares of no par value (the voting stock) of United Fuel Investments, Limited. In addition to the common shares United Fuel Investments, Limited has outstanding 90,000 class "A" 6% cumulative redeemable preferred shares, par value \$50 each and 69,689 class "B" non-cumulative preferred shares, par value \$25 each, of which preferred shares none is owned by Union Gas Company of Canada, Limited.



UNION GAS COMPANY OF CANADA, LIMITED

HEAD OFFICE, CHATHAM, ONTARIO

BOARD OF
DIRECTORS

W. L. DUFFIELD
C. M. KENNEDY
T. MONTGOMERY
S. A. MORSE
R. L. O'BRIAN
F. PALIN, C.A.

OFFICERS

DAVID P. ROGERS *President*
R. L. WARREN *First Vice-President*
R. L. O'BRIAN *Vice-President*
T. WEIR *Vice-President and General Manager*
F. PALIN, C.A. *Assistant General Manager,
Secretary and Treasurer*
H. J. DENISON, C.A. *Comptroller and Assistant Treasurer*

CAPITAL
STOCK

TRANSFER AGENTS

THE CANADA PERMANENT TRUST COMPANY,
320 Bay Street, Toronto 1, Ontario.

THE CHASE MANHATTAN BANK,
40 Wall Street, New York 15, New York.

REGISTRARS

CROWN TRUST COMPANY,
302 Bay Street, Toronto 1, Ontario.

THE NEW YORK TRUST COMPANY,
100 Broadway, New York 15, New York.

DIVIDEND DISBURSING AGENT

THE CANADA PERMANENT TRUST COMPANY,
320 Bay Street, Toronto 1, Ontario.

FIRST
MORTGAGE
BONDS AND
DEBENTURES

TRUSTEE

THE CANADA PERMANENT TRUST COMPANY,
320 Bay Street, Toronto 1, Ontario.



UNION GAS COMPANY OF CANADA, LIMITED

HEAD OFFICE, CHATHAM, ONTARIO

May 20, 1958

TO THE SHAREHOLDERS OF
UNION GAS COMPANY OF CANADA, LIMITED:

The members of the Board of Directors were saddened by the death on November 28, 1957 of Mr. W. J. K. Vanston who had served as a Director of the Company since 1924 and was a member of the Finance Committee of the Board. His advice and counsel on policies pertaining to the operations of the Company and its subsidiaries were highly valued by his fellow Directors. His pleasing personality will long be remembered by those of us with whom he had been associated.

The accompanying report, submitted on behalf of the Board of Directors, outlines in some detail the results of operations of the Company for the fiscal year ended March 31, 1958 and the plans for further expansion of the Company's operations and properties.

The past year was another of continued progress in extending facilities and service to many new areas and customers, of developing new markets for gas and of laying plans for further expansion and improvement of service in the coming months.

Important highlights of the year, referred to in more detail in the Report, may be briefly summarized as follows:

- ★ Consolidated net earnings of the Company and its wholly-owned subsidiaries for the fiscal year ended March 31, 1958 were \$2,561,099 equal to \$2.90 per share on the outstanding 882,750 shares. This compares with net earnings of \$2,359,836 for the previous fiscal year or \$3.34 per share on the 706,199 shares outstanding at March 31, 1957. Based on the 882,750 shares presently outstanding, earnings for the fiscal year ended March 31, 1957 would have been \$2.67 per share.
- ★ The volume of gas sales reached a new high record of 17.5 billion cubic feet, an increase of 2.3 billion cubic feet over sales of the previous fiscal year. There were 109,953 meters on the lines at March 31, 1958, an increase of 11,281 during the year.
- ★ A 26 inch diameter gas transmission line extending from the Lambton County gas storage area to a point near Oakville, Ontario, a distance of some 142 miles, was completed and placed in service in December, 1957.
- ★ Negotiations were completed whereby on April 15, 1958 Union Gas Company of Canada, Limited acquired the major portion of the natural gas properties of Dominion Natural Gas Company, Limited. That company was an integrated company purchasing, producing, transmitting and distributing natural gas in an extensive area of Southwestern Ontario lying generally southerly and easterly of the territory served by Union Gas Company.

- * The Company obtained \$9,775,000 equity capital by the sale of 176,551 shares of common stock through a rights offering to shareholders, while its wholly-owned subsidiary, Ontario Natural Gas Storage and Pipelines Limited sold \$20,000,000 par value 5 1/4% first mortgage sinking fund bonds due January 15, 1978.
- * Plans were developed for further expansion of the Company's facilities in existing markets and through extensions into additional markets.

The attached Report of the Board of Directors includes financial and operating statistics for each fiscal year of the five year period ended March 31, 1958 and a system map of the Company and its subsidiaries. Accompanying the Report are the annual financial statements of the Company consolidated with its wholly-owned subsidiaries and comprising the Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and Consolidated Statement of Accumulated Earnings Retained for use in the Business relative to the fiscal year ended March 31, 1958, with comparisons for the prior fiscal year and also the Auditors' Report thereon.

In order to make the shares of the Company more readily available to a larger number of investors, the Directors consider it advisable to subdivide each of the Company's shares, issued and unissued, into five shares and to increase the authorized capital. The Annual General Meeting of Shareholders, which will be held in Chatham, Ontario, on Thursday, June 19, 1958, is also being called as a Special General Meeting to consider and, if thought fit, confirm a special resolution which has been passed by the Board of Directors authorizing an application for Supplementary Letters Patent subdividing the 1,000,000 authorized shares in the capital of the Company into 5,000,000 shares and increasing the authorized capital to 6,000,000 shares without par value.

The active interest of shareholders in the affairs of the Company is always welcomed by the Directors and Management and it is my sincere hope that all shareholders who are able to do so will attend the meeting and take part in the discussions on the current and planned future expanded operations of the Company.

Yours sincerely,



President.

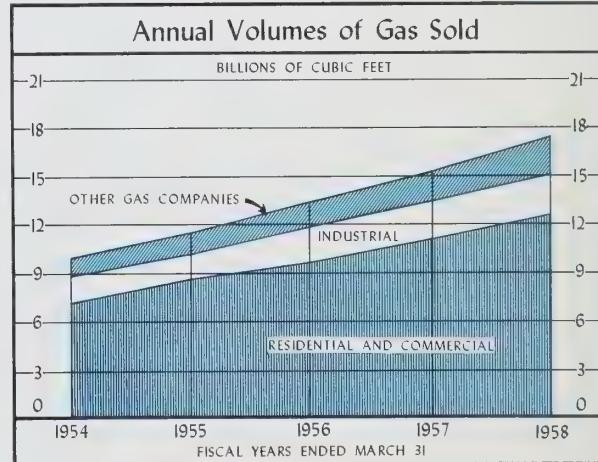
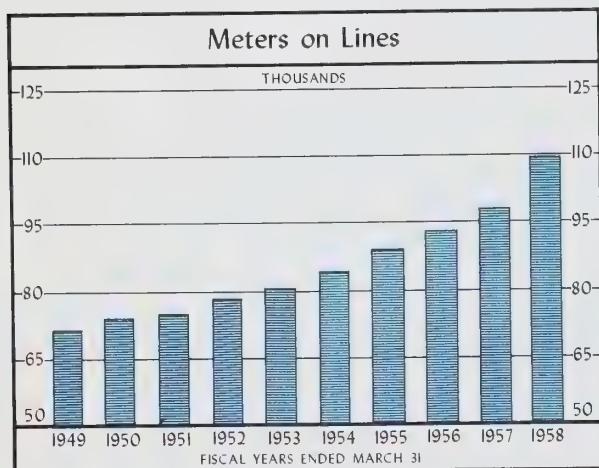


REPORT OF THE DIRECTORS

To the Shareholders of Union Gas Company of Canada, Limited on operations for the fiscal year ended March 31, 1958 and including information on plans for further expansion of the Company's operations and properties.

Consolidated results of system operations of the Company and its wholly-owned subsidiaries for the Fiscal Year ended March 31, 1958 were as follows:

		<i>Increase compared with fiscal year ended March 31, 1957</i>
Gross revenue from gas sales	\$16,871,786	\$ 2,055,697
Interest and other income	627,122	255,286
Dividend of \$1.00 per share received on investment in United Fuel Investments, Limited common shares	89,902	
TOTAL INCOME	\$17,588,810	\$ 2,310,983
Operating and maintenance costs (exclusive of depreciation, interest costs and income taxes)	\$10,816,807	\$ 1,060,278
Provision for depreciation	1,072,366	225,226
Interest on bonds, debentures and bank loans and other funded debt charges	675,538	215,216
TOTAL COSTS exclusive of income taxes	\$12,564,711	\$ 1,500,720
Profit before income taxes	\$ 5,024,099	\$ 810,263
Estimated income taxes	2,463,000	609,000
Net profit for the year	\$ 2,561,099	\$ 201,263
Net profit per share on 882,750 shares outstanding	\$2.90	\$0.23
DIVIDENDS DECLARED—TOTAL AMOUNT	\$ 1,411,503	\$ 422,824
PER SHARE	\$1.60	



GAS SALES

At March 31, 1958 a total of 109,953 customers were being served, an increase of 11,281, or 11.4%, during the year. This increase was attributed partially to the extension of natural gas service to additional municipalities in the latter part of the year but mainly to adding new customers in existing markets of the Company.

The volume of gas sold was 15.0% greater than for the fiscal year ended March 31, 1957 and as a result gross revenue from gas sales at \$16,871,786 was higher by 13.9%. As indicated in the accompanying summary of Gas Sales Volume and Gross Revenue all classifications of sales showed increases in volume and value.

Although the average temperatures prevailing throughout the fiscal year ended March 31, 1958 were almost the same as those for the prior year, the average consumption of gas per residential customer increased from 105.6 M.C.F. (thousand cubic feet) to 110.8 M.C.F., while the average consumption per commercial account increased from 223.2 M.C.F. to 245.9 M.C.F. This higher average consumption per customer reflects a continuance of the increasing use of natural gas in the average home and commercial establishment, particularly for space heating purposes, which has been experienced over the past several years.

GAS SALES VOLUME AND GROSS REVENUE

CLASS OF CUSTOMERS	VOLUME IN THOUSANDS OF CUBIC FEET			REVENUE IN DOLLARS		
	Year to March 31, 1958	% of Total	% over previous year	Year to March 31, 1958	% of Total	% over previous year
Residential.....	10,280,844	58.8	12.9	\$11,157,191	66.1	12.5
Commercial.....	2,324,808	13.3	16.6	2,374,335	14.1	16.0
Industrial.....	2,496,245	14.3	9.0	2,123,773	12.6	9.7
Other gas companies for resale..	2,374,482	13.6	30.7	1,216,487	7.2	32.2
TOTAL.....	17,476,379	100.0	15.0	\$16,871,786	100.0	13.9

SALES PROMOTION

With adequate supplies of gas now available to the Company, sales promotion efforts are being vigorously directed to increased unit sales of modern, automatic gas appliances and equipment through the Company's direct sales outlets and through dealers. The advertising and sales promotion program, much of which is carried on in co-operation with appliance manufacturers, is conducted in a manner to encourage dealer as well as Company appliance sales and emphasizes the advantages of modern gas appliances and equipment in automatic control, cleanliness and economy of operation.

Home Service Department Personnel advise customers on gas kitchen design and appliance use; trained Company personnel encourage architects and contractors to include gas appliances and equipment in their plans and projects; to ensure high standards of safety and operating economy schools are maintained to train Company personnel, appliance dealers and plumbing and heating contractors in proper methods of installing and servicing gas equipment. The services of trained personnel are available to advise on the advantages and proper use of gas for industrial and commercial applications.

COSTS

Operating and maintenance costs of \$10,816,807 during the fiscal year ended March 31, 1958 were \$1,060,278, or 10.9%, greater than for the previous year. This increase in costs is attributable to the following:

Increase in cost of gas sold (exclusive of development costs).....	\$ 727,786
Decrease in natural gas development costs.....	166,530
Increase in storage, transmission and distribution costs.....	341,873
Increase in promotional, office, clerical, general and administrative costs...	144,505
Increase in employees' pension costs..	12,644
	<hr/> <u>\$1,060,278</u>

The cost of larger volumes of gas required to meet the growth in sales; the operation and maintenance of more extensive plant facilities; the need for more clerical and administrative staff to adequately serve the constantly increasing number of customers and generally increased costs of doing business were all contributing factors to these higher costs.

During the year \$388,438 was expended on natural gas development. Of this amount \$171,732 was spent on productive wells and charged to

property account. The balance of \$216,706 having been incurred on costs not directly attributable to the completion of producing wells was written off to Profit and Loss Account. This charge to Profit and Loss Account was \$166,530 less than for the prior year.

Provisions for depreciation were made on the same basis as for the prior fiscal year but because of the need to provide for depreciation on the very substantial property additions made during the year, the charge to Profit and Loss Account for this purpose increased \$225,226.

Interest on funded and other debt costs during the year ended March 31, 1958 include interest for a full year on \$8,000,000 par value 5 3/4% debentures issued by the Company in January, 1957 and for approximately two months on \$20,000,000 par value 5 1/4% first mortgage bonds issued by Ontario Natural Gas Storage and Pipelines Limited late in January, 1958. There was also a substantial increase in interest on bank loans incurred to finance the construction program pending the sale of debt securities. As a result, and after charging \$381,089 to property account for interest during construction, the charge to Profit and Loss for interest on borrowings and other debt costs for the year was higher by \$215,216.

A number of Distribution System Extensions were made during the year.



FINANCIAL POSITION

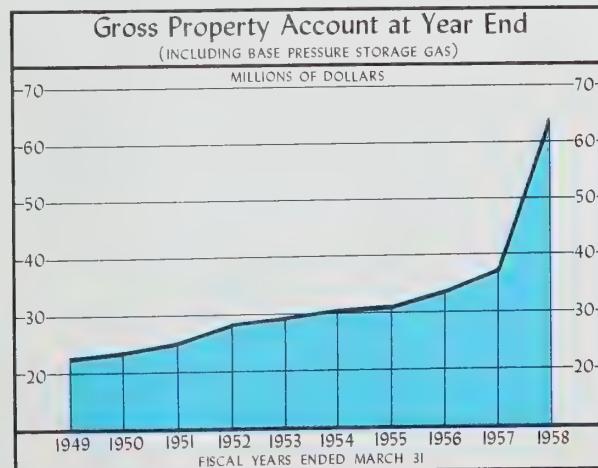
Consolidated working capital of the Company at March 31, 1958 was \$11,645,530, an increase of \$5,342,433, during the year. The following summary indicates the receipts and disbursements of working capital during the fiscal year ended March 31, 1958:

RECEIPTS OF WORKING CAPITAL:

Gross proceeds from sale of 176,551 additional shares in the capital stock of the Company	\$ 9,774,511
Gross proceeds from sale of first mortgage bonds of Ontario Natural Gas Storage and Pipelines Limited—Initial series	20,000,000
Net earnings for the year as shown on statement of profit and loss	\$ 2,561,099
<i>Add back:</i> Amounts charged to earnings for depreciation and amortization which did not represent cash outlay	1,175,572
Reduction in income taxes payable resulting from claiming for tax purposes capital cost allowances and drilling expenditures on productive wells, in an amount greater than the depreciation recorded in the accounts	445,366
Deposit held under gas exchange agreement	4,182,037
Reduction of provision for prior years' income taxes as a result of assessment, credited to accumulated earnings retained for use in the business	2,106,000
Total working capital made available	180,000
	<u>\$36,242,548</u>

DISBURSEMENTS OF WORKING CAPITAL:

Gross expenditure on property account, less salvage	\$25,888,734
Increase in base pressure gas in underground storage	476,920
	<u>\$26,365,654</u>
Cost of gas dedicated to, or delivered under, gas exchange agreement	1,646,476
Dividends declared—\$1.60 per share	1,411,503
Funded debt issue expenses	478,005
Provision for sinking fund payment due March 1, 1959 on outstanding bonds	450,000
Increase in inventory of stores and spare equipment	384,797
Capital stock issue expenses, net	86,536
Net increase in deferred and other assets	77,144
	<u>30,900,115</u>
Resulting in an increase in consolidated working capital during the year of	\$ 5,342,433
Consolidated working capital at beginning of year	6,303,097
Consolidated working capital at end of year	<u>\$11,645,530</u>



PROPERTY ACCOUNT:

Total Property Account expenditures during the year, net of salvage, were \$25,888,734, and consisted of the following:

ONTARIO NATURAL GAS STORAGE:

Construction of 142 miles of 26" diameter transmission pipeline from the Lambton County storage area to a point near Oakville, Ontario, including branch lines into several municipalities en route and the cost of ancillary equipment, gas storage facilities, etc.....

\$19,605,130

UNION GAS COMPANY AND CITY GAS COMPANY OF LONDON:

Additions and extensions to gas distribution systems.....

\$ 5,083,638

Additions to sundry natural gas production and transmission plant and general equipment, including cost of producing wells drilled.....

690,931

\$ 5,774,569

Replacement of natural gas production, transmission and distribution plant and general plant items.....

509,035

6,283,604

Net expenditures on property account exclusive of cost of base pressure gas in underground storage held to maintain operating well head pressure.....

\$25,888,734

The increasing volumes of gas being transmitted and stored by the Company and the necessity to make larger volumes of gas available on days of peak demand on the system made it necessary to increase the volume of base pressure gas in underground storage held to maintain operating well head pressure. Accordingly, during the year a portion of the gas in underground storage held for current sale valued at \$476,920, was transferred to property account as base pressure gas.

Gross property account, including base pressure gas, and after allowing for retirements and disposals, increased during the year by \$25,903,440 and at March 31, 1958 amounted to \$63,786,577.

NEW FUNDS:

The Company offered to shareholders of record at the close of business on May 23, 1957, the right to subscribe for, at the price of \$55 per share, one additional share in its capital stock for each four shares then held. The offering, which resulted in the issue of an additional 176,551 shares, was underwritten and the gross proceeds thereof amounted to \$9,774,511. Of the proceeds of this issue \$9,500,000 was expended on the purchase of 475,000 shares without any nominal or par value in the capital stock of Ontario Natural Gas Storage and Pipelines Limited, a wholly-owned subsidiary of the Company.

As of January 15, 1958, Ontario Natural Gas Storage and Pipelines Limited sold \$20,000,000 par

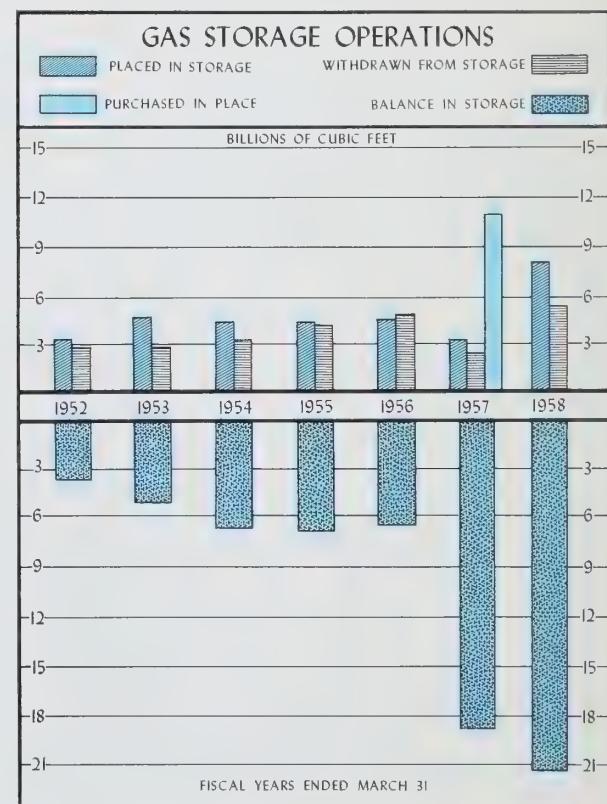
value of its 5 1/4% first mortgage sinking fund bonds due January 15, 1978. The funds obtained from this issue together with cash received through a capital stock subscription by Union Gas Company and to be received from operations, will provide Ontario Natural Gas Storage and Pipelines Limited with sufficient funds to complete its presently planned construction program.

Total capitalization of the Company and its wholly-owned subsidiaries as at March 31, 1958 was as follows:

	Per cent of total
Shareholders' equity, including accumulated earnings retained for use in the business.....	\$33,851,724 50%
Funded debt	33,900,000 50%
Total capitalization.....	<u>\$67,751,724</u> <u>100%</u>

DIVIDENDS:

During the year, four quarterly dividends of \$0.40 per share were declared payable on August 1, 1957, November 1, 1957, February 1, 1958, and May 1, 1958. On May 20, 1958, your Directors declared a quarterly dividend of \$0.40 per share payable on August 1, 1958, to shareholders of record July 4, 1958.



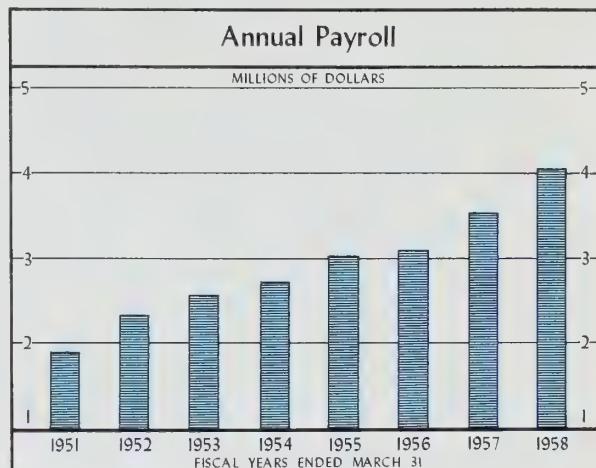
PERSONNEL

The steady growth and expansion of the Company has resulted in a continuing increase in the number of regular employees. As at March 31, 1958 there were 939 regular employees on the payrolls, an increase of 109 during the year. Wages and salaries paid by the Company during the past year to all employees, including those employed on a temporary basis during the construction season, amounted to \$4,077,211, an increase of \$472,621 over the previous year. In addition the Company contributed \$441,963 to the pension and group insurance plans maintained for regular employees and to which the employees enrolled in the plans also contribute.

Educational and training programs, designed to keep employees informed on Company policies and to better equip them to perform their duties and meet their responsibilities, were continued throughout the year. Employees attend and participate in these programs with keen interest.

The sincere appreciation of the Board of Directors is expressed to all employees of the Company

who through their loyal and co-operative attitude made possible the completion of the largest construction program, and the maintenance of excellent service to the greatest number of customers served, in the history of the Company.



GAS STORAGE OPERATIONS

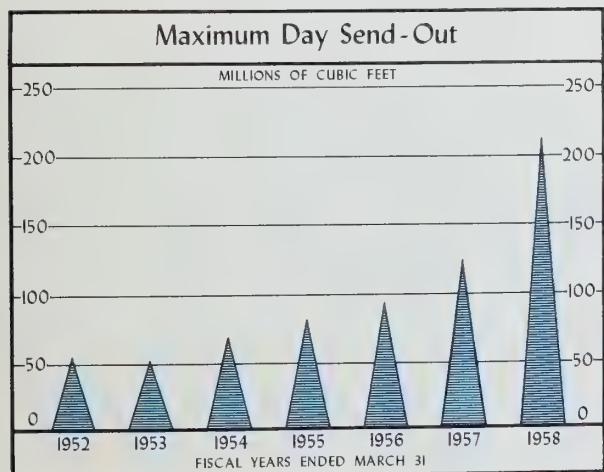
The operation of underground gas storage capacity serves two major purposes, namely, to enable the Company to purchase supplies of gas during the summer months which otherwise would not be available to or required by the Company, and to enable the purchase of gas on a more economical basis. With the continued expansion of the demands for gas to meet space heating requirements

during the winter months, the operation of the storage areas plays an increasingly important part in enabling the Company to maintain adequate service to its customers under all weather conditions and at reasonable rates of charges.

During the past fiscal year four separate underground storage pools were in operation. Additional storage capacity can be placed in service as required.

A total of 8.02 billion cubic feet of gas was injected into the storage pools in the off-peak periods of the fiscal year ended March 31, 1958. During the heating season 5.45 billion cubic feet were withdrawn to meet a considerable portion of the heating demand. These operations, and the prepayment for one hundred and eighty million cubic feet of gas receipt of which was deferred until the current fiscal year, increased to 21.49 billion cubic feet the volume of gas in storage at March 31, 1958.

A new all-time peak demand was established on the system on February 17, 1958. On that day the total gas send out for all purposes was 216,609 M.C.F., of which 160,128 M.C.F., or 73.9%, was delivered from storage.



— ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED —

With the completion of its 26 inch diameter gas pipeline from the storage area in Lambton County to a point near Oakville and the installation of lateral pipelines from this main line to serve various urban municipalities en route, operations of Ontario Natural Gas Storage and Pipelines Limited commenced in December, 1957. This company was incorporated in 1953 as a wholly-owned subsidiary of Union Gas Company in anticipation that the future large-scale gas storage and transmission activities contemplated could be carried out better through a separate company.

In December, 1957, Union Gas Company of Canada, Limited sold to Ontario Natural Gas Storage and Pipelines Limited its underground gas storage facilities (including compressor station and base pressure gas) in Lambton County, and its 16 inch diameter pipeline, a compressor station and other facilities required to transport from a point on the Detroit River to the storage area, natural gas imported by Union from the United States. The majority of these facilities are also required to transmit gas from the storage area to Windsor and other markets during periods when sufficient gas to meet the requirements of those markets is not available from the United States. Ontario Natural Gas Storage also acquired from Union Gas Company the latter's inventory of gas held in underground storage for current sale, certain inventories of materials and supplies and contracts for the purchase and sale of gas. These facilities were sold at book value and as consideration therefor Union Gas Company received \$6,000,000 par value of 5½% sinking fund debentures due 1979, of Ontario Natural Gas Storage and Pipelines Limited and the balance in cash.

Ontario Natural Gas Storage has accepted an assignment from Union Gas Company of the latter's agreement to purchase from Trans-Canada Pipe Lines Limited for a minimum period of 20 years annual volumes of gas ranging up to 64 billion cubic feet and has agreed to purchase from Union Gas Company all gas imported under its agreements with Panhandle Eastern Pipe Line Company.

Ontario Natural Gas Storage has also entered into agreements to supply natural gas on a wholesale basis for resale, to Union Gas Company of Canada, Limited, City Gas Company of London, United Gas and Fuel Company of Hamilton, Limited, Dominion Natural Gas Company, Limited and The Public Utilities Commission of the City of Kitchener.

In addition to its operations of purchasing, storing and transmitting gas on its own account,

Ontario Natural Gas Storage and Pipelines Limited is also engaged in the storage, transmission and exchange of gas on behalf of other Companies.

By agreement with The Consumers' Gas Company, Ontario Natural Gas Storage and Pipelines Limited, for a service charge, will store gas for Consumers' Company. Under the terms of this agreement Ontario Natural Gas Storage will receive during the summer months at the eastern terminus of its 26 inch transmission line, gas owned by The Consumers' Company in excess of the daily requirements on its system and will transmit this gas to the underground gas storage pools in Lambton County where it will be stored for return to The Consumers' Company as required.

Under the terms of a gas exchange agreement, Ontario Natural Gas Storage and Pipelines Limited, in consideration of a service charge, will lend limited quantities of gas to Trans-Canada Pipe Lines Limited for the purpose of market build-up in Eastern Ontario and the city of Montreal prior to the availability of Western Canada natural gas through the Trans-Canada pipeline for this purpose and, if required, until November 30, 1959. The agreement requires that gas lent to Trans-Canada be returned over a three-year period from the time Western Canada gas is available from Trans-Canada at the junction of the facilities of Ontario Natural Gas Storage Company and Trans-Canada.

Ontario Natural Gas Storage and Pipelines Limited is engaged entirely in wholesaling operations and does not make any direct sales to the public.

Extensive Dealer Training Programs were conducted in new company areas.



PROPERTY AND MARKET EXPANSION

The completion by Ontario Natural Gas Storage and Pipelines Limited of its transmission facilities made natural gas available for distribution in the cities of Guelph, Waterloo and Stratford and the town of Strathroy. Union Gas Company acquired the gas distribution franchises in each of these municipalities and commenced the distribution of natural gas therein during December, 1957 and January, 1958. Natural gas service is being well received in these municipalities and it is expected that each will develop into an important market.

In addition to extending service to the above-mentioned new areas, numerous extensions were made and additional customers added to the lines in the older markets of the Company.

In December, 1957 Ontario Natural Gas Storage commenced the sale of natural gas on a wholesale basis to United Gas and Fuel Company of Hamilton, Limited, and entered into a contract to supply gas for distribution in the city of Kitchener by the Public Utilities Commission of that city. Deliveries of gas to the Kitchener market commenced in May, 1958.

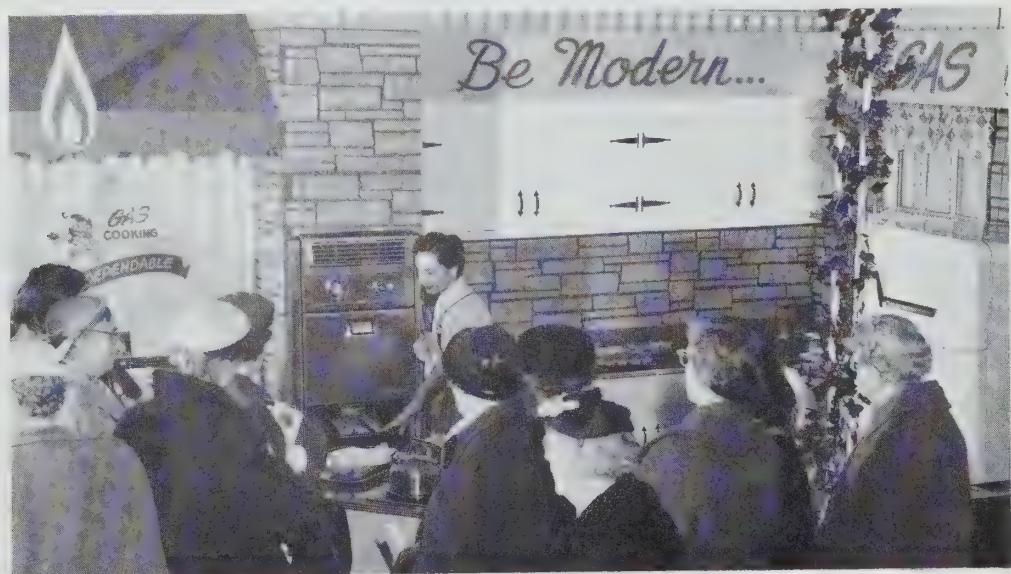
On December 9, 1957 agreement was reached providing for the acquisition on April 15, 1958 by Union Gas Company of Canada, Limited of all the natural gas properties of Dominion Natural Gas Company, Limited in the Province of Ontario, with the exception of those situated in the counties of Lincoln and Welland, in the Niagara Peninsula, and comprising an integrated system for the purchase, production, transmission and distribution of natural

gas. The area served by the newly acquired system is contiguous to the territory already being served by Union Gas Company and is conveniently located to receive additional supplies of gas from Ontario Natural Gas Storage and Pipelines Limited (see map on inside back cover).

The acquisition of these former Dominion Company properties added 43,000 customers to the 110,000 customers already served by your Company. The principal new markets acquired include Kingsville, Leamington, St. Thomas, Woodstock, Ingersoll, Paris, Brantford, Galt, Preston, Hespeler, Simcoe, Tillsonburg, Delhi and Dunnville. It is considered that with ample supplies of gas now available the Company will be able to expand very substantially the volume of gas sales and number of customers served in these newly acquired markets.

The program of plant expansion and extensions into new markets will continue throughout the fiscal year commenced April 1, 1958. It is anticipated that gas transmission lines will be extended from the Windsor area to the town of Amherstburg, from the Stratford area to the town of Goderich and from the new 26 inch diameter line into the town of St. Marys. Gas will be distributed by Union Gas Company in each of those towns and in other municipalities along the route of the lines. Numerous plant extension, expansion and replacement projects also will be carried out in the existing markets of the Company, including the franchise areas recently acquired from Dominion Natural Gas Company, Limited.

Keen interest taken in Company's gas demonstrations at fair.



142 miles - 26" diameter



Surveying route of Pipeline was begun early in year.

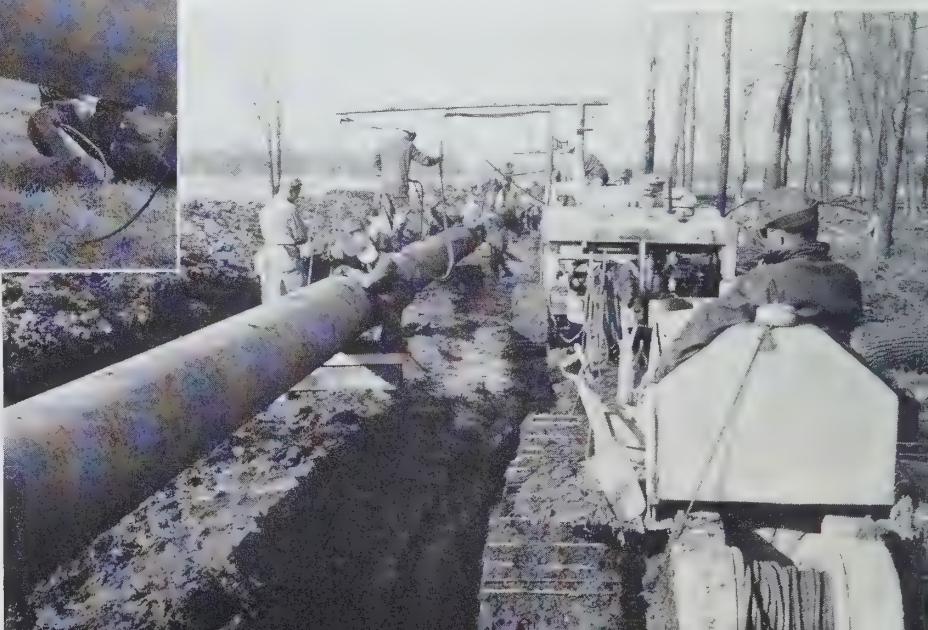


Rate of progress hastened by highly skilled welders.



Actual Pipeline Construction
started late in September, 1957

Much mechanized equipment was required to build line.



Pipeline Completed



Two spreads of line completed and joined early in December, 1957.

Headers were installed to connect main line with branches.



Turn-on ceremonies were conducted in each new market.

GAS SUPPLY

The volume of gas available to the Company from its various sources of supply throughout the past year was entirely adequate to meet the demands of all customers. The full contract volume of 5.5 billion cubic feet provided for in the November 25, 1944 agreement with Panhandle Eastern Pipe Line Company was received, as was the requested volume under the April 21, 1954 contract with that Company. Substantial volumes of gas also were received under agreements with local producers in Ontario. The balance of the system gas requirements was readily met from the Company's own production and from storage.

Your Company has been notified by Trans-Canada Pipe Lines Limited that it expects to complete construction of its pipeline facilities and to have gas available at the eastern terminus of the 26 inch transmission line of your Company by November, 1958. In addition, further supplies of gas are being made available from discoveries made by independent producers carrying on drilling opera-

tions in or adjacent to the territory served by the Company.

It is apparent that the Company now has available to it ample supplies of gas to meet the demands of all of its customers for many years to come. Your Directors and Management however, will keep the problem of gas supply under constant study with a view to ensuring continuation of adequate long term supplies.

The Company's drilling activities during the fiscal year ended March 31, 1958, were directed primarily to the extension and delineation of presently known sources of supply. While no new sources of supply were encountered the known productive area of a gas pool previously discovered in Lambton County was extended substantially. The Company intends to continue its natural gas exploration and development activities in Southwestern Ontario to the extent warranted by new discoveries.

GENERAL

The expenditure of approximately \$15,250,000 was required on April 15, 1958 to purchase the plant facilities of Dominion Natural Gas Company, Limited and this expenditure was financed largely by temporary bank borrowings. In addition, it is presently contemplated that the construction program for the fiscal year commenced April 1, 1958 will cost approximately \$15,000,000. The Company is planning to sell approximately \$22,000,000 of bonds and debentures in June, 1958 to provide most of the cash required to fund the bank borrowings and finance the construction program. The balance of the funds required for these purposes will be available from working capital and earnings.

Since November, 1955 United Gas and Fuel Company of Hamilton, Limited (now United Gas Limited) and United Suburban Gas Company,

Limited have been engaged in a program of converting their pipeline facilities for the distribution of natural gas. With the completion of the pipeline facilities of Ontario Natural Gas Storage and Pipelines Limited and the execution of a contract whereby that company would make additional supplies of natural gas available to United Gas and United Suburban Gas, the latter two companies accelerated their conversion programs and by April 30, 1958 their entire systems were converted to natural gas and the distribution of manufactured gas was discontinued. As soon as Western Canada gas becomes available from Trans-Canada Pipe Lines Limited, the entire natural gas requirements of United Gas and United Suburban Gas will be supplied by Ontario Natural Gas Storage and Pipelines Limited.

On behalf of the Board of Directors,

DAVID P. ROGERS

President.

CHATHAM, ONTARIO,
May 20, 1958.



Industry uses Natural Gas for forging and many other processes.



UNION GAS COMPANY OF CANADA, LIMITED
 HEAD OFFICE, CHATHAM, ONTARIO
 (Incorporated under the laws of Ontario)
 AND ITS WHOLLY-OWNED SUBSIDIARIES

ASSETS

	March 31, 1958	March 31, 1957
PROPERTIES AT COST:		
Distribution systems, transmission lines, gas wells and gathering lines, gas storage facilities, land and buildings, etc.	\$60,443,170	\$35,016,650
Base pressure gas in underground storage held to maintain operating well head pressure	3,343,407	2,866,487
	<u>\$63,786,577</u>	<u>\$37,883,137</u>
INVESTMENT IN SUBSIDIARY (Note 1):		
United Fuel Investments, Limited—89,902 common shares of no par value — at cost	\$ 2,048,661	\$ 2,048,661
CURRENT ASSETS:		
Cash	\$ 6,419,392	\$ 3,028,929
Short term investments — at cost (market value at March 31, 1958 approximately \$4,642,554)	4,622,876	2,497,083
Accounts receivable from sale of gas and merchandise, less allowance for doubtful accounts	3,616,361	2,706,823
Inventories of appliances and materials for resale — valued at the lower of cost or market	332,857	337,617
Gas in underground storage and receivable, available for current sale — at cost	1,237,693	1,897,011
	<u>\$16,229,179</u>	<u>\$10,467,463</u>
DEFERRED AND OTHER ASSETS:		
Stores and spare equipment — at cost	\$ 2,219,769	\$ 1,834,972
Mortgages and agreements for sale	32,118	36,344
Prepaid expenses, etc.	190,098	90,550
Discount and expenses on issues of funded debt — balance to be amortized in future years	688,604	233,396
Gas in underground storage and receivable, dedicated to or delivered under gas exchange agreement	1,646,476	
	<u>\$ 4,777,065</u>	<u>\$ 2,195,262</u>
	<u>\$86,841,482</u>	<u>\$52,594,523</u>

CONSOLIDATED BALANCE SHEET

MARCH 31, 1958

(with comparative figures as at March 31, 1957)

LIABILITIES

	<i>March 31, 1958</i>	<i>March 31, 1957</i>
SHAREHOLDERS' EQUITY:		
Capital stock —		
Authorized:		
1,000,000 shares without any nominal or par value		
Issued: (Note 2)		
882,750 shares	\$20,938,286	\$11,163,775
Accumulated earnings retained for use in the business (Note 3)	12,913,438	11,670,378
	\$33,851,724	\$22,834,153
CONTRIBUTIONS IN AID OF CONSTRUCTION	\$ 149,607	\$ 129,175
ACCUMULATED DEPRECIATION	\$11,534,806	\$10,846,499
FUNDED DEBT (Note 4)	\$33,900,000	\$14,350,000
DEPOSIT HELD UNDER GAS EXCHANGE AGREEMENT	\$ 2,106,000	
ACCUMULATED INCOME TAX REDUCTIONS APPLICABLE TO FUTURE YEARS (Note 5)	\$ 715,696	\$ 270,330
CURRENT LIABILITIES:		
Accounts payable and accrued charges including meter and special line deposits	\$ 2,344,136	\$ 2,112,000
Dividend payable	353,100	247,170
Estimated income and other taxes payable	1,100,522	1,233,243
Accrued interest on funded debt	335,891	121,953
Mortgage bond sinking fund instalments due March 1 following year	450,000	450,000
	\$ 4,583,649	\$ 4,164,366
DAVID P. ROGERS, <i>Director</i>	<u>\$86,841,482</u>	<u>\$52,594,523</u>



UNION GAS COMPANY OF CANADA, LIMITED
HEAD OFFICE, CHATHAM, ONTARIO
and its wholly-owned subsidiaries

**CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS
RETAINED FOR USE IN THE BUSINESS**

**(For the Year Ended March 31, 1958
(with comparative figures for 1957)**

	<i>Year ended March 31, 1958</i>	<i>Year ended March 31, 1957</i>
BALANCE AT BEGINNING OF YEAR	\$11,670,378	\$10,299,221
<i>Add:</i>		
Net profit for the year	2,561,099	2,359,836
Reduction of provision for prior years' taxes on income resulting from assessments	180,000	
	\$14,411,477	\$12,659,057
<i>Deduct:</i>		
Dividends declared	\$ 1,411,503	\$ 988,679
Net expenses of common share issue	86,536	
	\$ 1,498,039	\$ 988,679
BALANCE AT END OF YEAR	\$12,913,438	\$11,670,378

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

**(For the Year Ended March 31, 1958
(with comparative figures for 1957)**

	<i>Year ended March 31, 1958</i>	<i>Year ended March 31, 1957</i>
OPERATING REVENUE AND OTHER INCOME:		
Gross revenue from gas sales	\$16,871,786	\$14,816,089
Other operating income	487,701	338,948
Dividend received from United Fuel Investments, Limited	89,902	89,902
Interest on investments	139,421	32,888
	\$17,588,810	\$15,277,827
OPERATING EXPENSES AND INTEREST:		
Operating and maintenance costs exclusive of items shown separately below	\$10,600,101	\$ 9,373,293
Natural gas development costs	216,706	383,236
Depreciation (Note 8)	1,072,366	847,140
Interest on funded and other debt including discount and expense amortized (less interest charged to construction—\$381,089 in 1958; \$7,433 in 1957)	675,538	460,322
	\$12,564,711	\$11,063,991
PROFIT BEFORE INCOME TAX	\$ 5,024,099	\$ 4,213,836
<i>Less</i> estimated income tax (Note 5)	2,463,000	1,854,000
NET PROFIT FOR THE YEAR	\$ 2,561,099	\$ 2,359,836

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1958

(1) United Fuel Investments, Limited, a non-consolidated subsidiary —

- (a) The assets and liabilities and income and expense of the subsidiary are not included in the financial statements of Union Gas Company of Canada, Limited because of the substantial minority interest and funded indebtedness of the subsidiary.
- (b) The parent company's share of the net profits of the subsidiary for the year ended March 31, 1958 amounted to \$82,090. During that period \$89,902 was received in dividends.
- (c) The parent company's share of the undistributed profits of the subsidiary earned since the acquisition of a controlling interest in the subsidiary in October, 1950, amounted to \$1,040,951 to March 31, 1958. This amount has not been taken into the accounts of Union Gas Company of Canada, Limited.

(2) Capital stock —

During the year the Company issued 176,551 shares for a total cash consideration of \$9,774,511.

(3) Accumulated earnings retained for use in the business —

Under certain conditions of the trust indenture providing for the issue of the 5 3/4% sinking fund debentures, not more than \$4,413,882 of the accumulated earnings retained for use in the business as at March 31, 1958 were available for payment as dividends.

(4) Funded debt —

Details of this debt as at March 31, 1958 and 1957 are as follows:

	<i>March 31, 1958</i>	<i>March 31, 1957</i>
UNION GAS COMPANY OF CANADA, LIMITED:		
4 3/4% first mortgage and collateral trust sinking fund bonds Series A — due March 1, 1968 —		
Outstanding	\$ 6,538,000	\$ 6,968,000
Less cash in hands of trustee for bond redemptions on April 1, in compliance with the trust deed	188,000	168,000
	<hr/>	<hr/>
<i>Deduct</i> sinking fund instalment due March 1 of succeeding year, shown as a current liability	\$ 6,350,000	\$ 6,800,000
	<hr/>	<hr/>
	450,000	450,000
	<hr/>	<hr/>
	\$ 5,900,000	\$ 6,350,000
5 3/4% sinking fund debentures — due January 15, 1975 —		
Outstanding	\$ 8,000,000	\$ 8,000,000
ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED:		
5 1/4% first mortgage sinking fund bonds — due January 15, 1978 —		
Issued during the year and outstanding	\$20,000,000	
Total funded debt, per balance sheet	<hr/> <hr/> \$33,900,000	<hr/> <hr/> \$14,350,000

(5) Accumulated income tax reductions applicable to future years —

While income taxes charged against income for the year amount to \$2,463,000 the amount of taxes payable in respect of the year amounts to \$2,017,634 only. The difference of \$445,366 results from claiming for tax purposes capital cost allowances and drilling expenditures on productive wells in an amount greater than the depreciation for the year recorded in the accounts. This difference, together with similar tax

reductions from 1955 to 1957 inclusive totalling \$270,330, is applicable to those future periods when the depreciation recorded in the accounts will be greater than amounts which may be claimed for tax purposes. Accordingly the accumulated difference of \$715,696 is shown in the balance sheet under the caption "Accumulated income tax reductions applicable to future years."

(6) Commitments —

(a) Effective April 15, 1958 the Company bought most of the natural gas production, transmission and distribution system of Dominion Natural Gas Company, Limited at a total cost of approximately \$15,250,000 and in addition has acquired related accounts receivable and inventories. This purchase was financed largely by temporary bank borrowings, which, it is expected, will be replaced by long-term financing in the near future.

(b) The Company is a party to a number of gas purchase agreements under which it is entitled to receive gas as follows:

(i) By contract dated April 21, 1954, as amended, Panhandle Eastern Pipe Line Company has agreed to sell to Union annual amounts of natural gas ranging up to 15.5 billion cubic feet in the contract year beginning November 1, 1961.

Union is obligated to take or pay for a minimum of 75% of the contract volumes after November 1, 1958. The contract is for a term of 20 years from November 5, 1956, but Union is entitled to terminate it one year after gas becomes available from Trans-Canada Pipe Lines Limited provided that notice of termination is given by November 1, 1960. Union has agreed with Trans-Canada that it will exercise such right of termination.

(ii) By contract dated January 18, 1955, as amended, Trans-Canada Pipe Lines Limited has agreed to sell to Union annual amounts of gas increasing progressively up to 64 billion cubic feet. The contract is for a term of 20 years from the date of first delivery. Union is obligated to take or pay for 75% of the stipulated volume for each contract year. It is anticipated that the Company will commence to take deliveries of gas under this contract about November 1, 1959 in which event the stipulated maximum volume of deliveries for the first year will be 20.5 billion cubic feet.

(iii) By a number of other contracts the Company is obligated to purchase approximately 15 billion cubic feet of gas each year.

(7) Capital expenditures —

In addition to the acquisition referred to in Note 6, capital expenditures of approximately \$15,000,000 are presently contemplated for the fiscal year ending March 31, 1959.

(8) Provision for depreciation —

Total depreciation provided for the year ended March 31, 1958 amounted to \$1,171,389. Of this amount, \$1,072,366 was charged directly to operations and the remainder of \$99,023 was charged to clearing accounts which are re-allocated partly to property accounts and partly to expense accounts.

(9) Directors' fees —

Directors of the Company received fees for their services as such of \$23,733 from the Company and its consolidated subsidiaries and \$9,900 from the un-consolidated subsidiary during the year ended March 31, 1958.

Clarkson, Gordon & Co.
Chartered Accountants
Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Union Gas Company of Canada, Limited:

We have examined the consolidated balance sheet of
Union Gas Company of Canada, Limited and its wholly-owned subsidiaries
as at March 31, 1958 and the consolidated statements of profit and
loss and accumulated earnings retained for use in the business for the
year ended on that date. Our examination included a general review of
the accounting procedures and such tests of accounting records and
other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance
sheet and consolidated statements of profit and loss and accumulated
earnings retained for use in the business present fairly the financial
position of the companies as at March 31, 1958 and the results of their
operations for the year ended on that date.

Clarkson, Gordon & Co.

Chartered Accountants.

Toronto, Canada,
May 14, 1958.

Fiscal year ended March 31

REVENUES, EXPENSES and NET EARNINGS	1958	1957	1956	1955	1954
REVENUES					
Gas Sales	\$16,871,786	\$14,816,089	\$13,290,429	\$11,756,182	\$10,417,505
Other income	627,122	371,836	255,631	285,828	283,816
Dividend received—United Fuel Investments, Ltd.	89,902	89,902	89,892	89,892	89,892
Total revenue	\$17,588,810	\$15,277,827	\$13,635,952	\$12,131,902	\$10,791,213
EXPENSES					
Operating and maintenance costs including cost of gas sent out	\$10,600,101	\$ 9,373,293	\$ 8,451,898	\$ 7,216,644	\$ 6,265,506
Natural gas development costs	216,706	383,236	426,557	293,553	467,626
Depreciation	1,072,366	847,140	782,339	747,300	707,305
Interest on funded debt and bank loans	675,538	460,322	381,883	386,695	389,534
Total expenses	\$12,564,711	\$11,063,991	\$10,042,677	\$ 8,644,192	\$ 7,829,971
Profit before income taxes	\$ 5,024,099	\$ 4,213,836	\$ 3,593,275	\$ 3,487,710	\$ 2,961,242
Income taxes	2,463,000	1,854,000	1,570,000	1,545,000	1,250,000
NET EARNINGS	\$ 2,561,099	\$ 2,359,836	\$ 2,023,275	\$ 1,942,710	\$ 1,711,242
Earnings per share*	\$2.90	\$2.67	\$2.29	\$2.20	\$1.94
Dividends declared per share*	\$1.60	\$1.12	\$1.12	\$1.12	\$1.12
*On basis of 882,750 shares outstanding during entire period.					
SOURCE AND APPLICATION OF FUNDS					
SOURCE OF FUNDS					
Net earnings for period	\$ 2,561,099	\$ 2,359,836	\$ 2,023,275	\$ 1,942,710	\$ 1,711,242
Provision for depreciation and other charges to earnings not requiring cash outlay	1,175,572	943,952	873,317	837,943	769,345
Income tax reductions applicable to future years	445,366	71,999	51,887	146,444	
Funded debt issues	20,000,000	8,000,000			
Capital stock issue	9,774,511				
Gas exchange agreement deposit	2,106,000				
Total	\$36,062,548	\$11,375,787	\$ 2,948,479	\$ 2,927,097	\$ 2,480,587
APPLICATION OF FUNDS					
Net expenditures on Property Account	\$25,888,734	\$ 3,525,277	\$ 1,870,857	\$ 2,547,031	\$ 1,686,069
Dividends declared	1,411,503	988,679	988,679	988,679	988,679
Retirement of debt	450,000	450,000	400,000	400,000	400,000
Additional base pressure gas in underground storage	476,920	1,453,631			
Increase or decrease in stores and spare equipment	384,797	1,106,222	406	25,076	72,862
Funded debt and capital stock issue expenses	564,541	107,417			
Gas dedicated to exchange agreement	1,646,476				
Miscellaneous items	102,856	10,518	5,846	3,720	9,910
Increase or decrease in working capital	5,342,433	3,755,079	305,617	1,037,409	511,389
Total	\$36,062,548	\$11,375,787	\$ 2,948,479	\$ 2,927,097	\$ 2,480,587
Working capital, end of year	\$11,645,530	\$ 6,303,097	\$ 2,548,018	\$ 2,853,635	\$ 3,891,044

Statistics *Continued*

(M.C.F. means thousand cubic feet)

	Fiscal year ended March 31				
	1958	1957	1956	1955	1954
CUSTOMERS—(end of year):					
Residential	99,318	88,840	84,153	80,180	75,987
Commercial	9,974	9,264	8,893	8,451	8,083
Industrial	659	567	546	560	560
Other utilities	2	1	1	1	1
Total	109,953	98,672	93,593	89,192	84,631
GAS SALES—M.C.F.					
Residential	10,280,844	9,103,201	7,975,805	7,066,095	5,920,970
Commercial	2,324,808	1,992,905	1,707,203	1,483,419	1,282,059
Industrial	2,496,245	2,289,013	2,212,424	1,569,848	1,708,425
Other utilities	2,374,482	1,816,425	1,580,320	1,362,134	1,149,429
Total	17,476,379	15,201,544	13,475,752	11,481,496	10,060,883
GAS SALES REVENUE					
Residential	\$11,157,191	\$ 9,913,275	\$ 8,737,444	\$ 7,791,405	\$ 6,610,631
Commercial	2,374,335	2,046,164	1,767,083	1,557,865	1,353,522
Industrial	2,123,773	1,936,813	1,982,423	1,675,506	1,823,525
Other utilities	1,216,487	919,837	803,479	731,406	629,827
Total	\$16,871,786	\$14,816,089	\$13,290,429	\$11,756,182	\$10,417,505
AVERAGE CONSUMPTION PER METER—M.C.F.					
Residential	110.8	105.6	97.2	90.5	79.6
Commercial	245.9	223.2	199.8	183.1	161.6
GAS BALANCE—M.C.F.					
Gas produced from Company wells	1,180,700	1,106,160	1,332,994	1,772,013	1,925,209
Natural gas imported	11,221,118	6,438,863	5,413,717	5,444,523	5,497,101
Natural gas purchased locally	(A)9,903,699	(A)9,347,258	7,167,220	5,287,298	4,651,227
Total all gas	22,305,517	16,892,281	13,913,931	12,503,834	12,073,537
Gas into storage	(A)8,022,283	(A)3,612,357	4,514,309	4,482,608	4,476,009
Gas out of storage	5,458,074	2,527,191	4,913,331	4,234,136	3,227,648
Net gas into or out of (-) storage	2,564,209	1,085,166	(-) 399,022	248,472	1,248,361
Total gas send out	19,741,308	15,807,115	14,312,953	12,255,362	10,825,176
Gas sales	17,476,379	15,201,544	13,475,752	11,481,496	10,060,883
Gas loaned to other Companies	1,074,791				
Company use	425,740	194,747	199,393	195,025	189,815
Unbilled, unaccounted for, etc.	764,398	410,824	637,808	578,841	574,478
	19,741,308	15,807,115	14,312,953	12,255,362	10,825,176
PEAK DAY SEND OUT—M.C.F.	216,609	123,658	94,846	82,935	69,985
GAS WITHDRAWN FROM STORAGE ON PEAK DAY—M.C.F.	160,128	70,814	63,212	52,333	41,559

Note A—Exclusive of 11.18 billion cubic feet of gas purchased in the field in 1957 and .18 billion cubic feet in 1958 and remaining in storage at year end.

**CONDENSED CONSOLIDATED
BALANCE SHEET**

Fiscal year ended March 31

	1958	1957	1956	1955	1954
ASSETS					
Property account	\$63,786,577	\$37,883,137	\$33,236,818	\$31,657,480	\$29,349,942
Investment in common shares of United Fuel Investments, Ltd.	2,048,661	2,048,661	2,048,661	2,048,366	2,048,366
Current assets	16,229,179	10,467,463	5,316,307	5,427,803	6,213,339
Stores and spare equipment	2,219,769	1,834,972	728,750	728,348	703,272
Deferred and other assets	2,557,296	360,290	245,618	248,095	244,239
Total	\$86,841,482	\$52,594,523	\$41,576,154	\$40,110,092	\$38,559,158
LIABILITIES					
Capital stock and surplus	\$33,851,724	\$22,834,153	\$21,462,996	\$20,428,400	\$19,474,369
Construction contributions	149,607	129,175	98,504	83,190	71,400
Accumulated depreciation	11,534,806	10,846,499	10,248,034	9,677,890	9,091,094
Funded debt	33,900,000	14,350,000	6,800,000	7,200,000	7,600,000
Deferred credit	2,106,000				
Accumulated income tax reductions applicable to future years	715,696	270,330	198,331	146,444	
Current liabilities	4,583,649	4,164,366	2,768,289	2,574,168	2,322,295
Total	\$86,841,482	\$52,594,523	\$41,576,154	\$40,110,092	\$38,559,158
EQUITY PER OUTSTANDING SHARE					
No par value shares outstanding	882,750	706,199	706,199	706,199	706,199
Equity per share	\$38.35	\$32.33	\$30.39	\$28.93	\$27.58
PROPERTY ACCOUNT					
Gross book value beginning of period	\$37,883,137	\$33,236,818	\$31,657,480	\$29,349,942	\$27,962,767
ADDITIONS					
Plant extensions and additions	\$25,419,176	\$ 3,205,671	\$ 1,463,604	\$ 2,227,030	\$ 1,360,562
Plant replacements	560,038	436,599	481,418	369,796	394,113
Gross additions and replacements	\$25,979,214	\$ 3,642,270	\$ 1,945,022	\$ 2,596,826	\$ 1,754,675
RETIREMENTS					
Book value of plant retired	552,694	449,582	365,684	289,288	367,500
Net plant additions	\$25,426,520	\$ 3,192,688	\$ 1,579,338	\$ 2,307,538	\$ 1,387,175
Increase in base pressure gas in under- ground storage	476,920	1,453,631			
Net additions to Property Account for period	\$25,903,440	\$ 4,646,319	\$ 1,579,338	\$ 2,307,538	\$ 1,387,175
Gross book value end of period	\$63,786,577	\$37,883,137	\$33,236,818	\$31,657,480	\$29,349,942

SYSTEM MAP



\$12,500,000

UNION GAS COMPANY OF CANADA, LIMITED
(Incorporated under the laws of Ontario)

First Mortgage and Collateral Trust Bonds, Series B

To be dated June 1, 1958

\$9,000,000 5% Sinking Fund Bonds maturing December 1, 1977

\$3,500,000 4 3/4% Serial Bonds
maturing \$400,000 on December 1, 1961 and 1962, and
\$450,000 on December 1, 1963 to 1968 inclusive.

Principal of the bonds of this issue, half-yearly interest thereon (June 1 and December 1) and redemption premium, if any, will be payable in lawful money of Canada at any branch of the bank designated in the bonds, at the option of the holder. The bonds will be available in coupon form, with provision for registration as to principal, in the denomination of \$1,000 and in fully registered form in denominations of \$1,000 and authorized multiples thereof. Subject to the provisions of the Trust Deed, coupon bonds and fully registered bonds will be interchangeable.

The Sinking Fund Bonds will be redeemable for sinking fund purposes at the principal amount plus accrued interest to the date specified for redemption. Otherwise, the bonds of this issue will be redeemable at the option of the Company prior to maturity, in whole at any time, or in part from time to time, upon prior notice of not less than 30 days: (i) in the case of the Serial Bonds, in reverse order of maturity at the principal amount thereof plus a premium of 1 1/2% of such principal amount for each year or portion thereof between the date specified for redemption and the maturity date of the Serial Bonds (longer if acceleration is called); (ii) in the case of the Sinking Fund Bonds, 5% of the principal amount if redeemed on or before May 31, 1959 and thereafter at premiums reducing by 1/4 of 1% of such principal amount on June 1 in each of the years 1959 to 1972 inclusive, and by .375 of 1% of such principal amount on June 1 in each of the years 1973 to 1976 inclusive, and on and after June 1, 1976 without premium, plus in every case accrued interest to the date fixed for redemption; provided that the Sinking Fund Bonds may not be redeemed before June 1, 1968 by the application of funds obtained through borrowing having an interest cost of less than 5% or in anticipation of such borrowing.

The Company will covenant in the Supplemental Trust Deed to provide a sinking fund to retire \$6,000,000 principal amount of the Sinking Fund Bonds of this issue prior to maturity, and for such purpose to retire, in accordance with and subject to the provisions of the Supplemental Trust Deed, \$500,000 principal amount of bonds on June 1, 1969; \$550,000 on June 1, 1970; \$600,000 on June 1, 1971; \$650,000 on June 1, 1972; \$700,000 on June 1, 1973 and \$750,000 on each June 1, 1974 to 1977 inclusive.

Trustee: The Canada Permanent Trust Company

In the opinion of Counsel, the bonds of this issue will be investments in which the Canadian and British Insurance Companies Act states that companies registered under Part III thereof may, without availing themselves for that purpose of the provisions of sub-section (4) of Section 63 of the said Act, invest their funds.

The Serial Bonds of this issue are being sold separately.

We, as principals, offer the Sinking Fund Bonds of this issue, if as and when issued by Union Gas Company of Canada, Limited and accepted by us, subject to the approval of all legal matters by Messrs. Blake, Cassels & Graydon on behalf of the Company and by Messrs. Arnoldi, Parry, Campbell, Pyle, Godfrey & Lewtas on our behalf. Said counsel will rely as to matters of title on the opinion of Messrs. McNevin, Gee & O'Connor.

Price: 98.50 and accrued interest yielding about 5.12%

It is expected that definitive bonds will be available for delivery on or about July 9, 1958.

The right is reserved to reject any or all applications and also in any case to allot a smaller amount than is applied for.

A. E. Ames & Co.

Limited

Business Established 1889

TORONTO MONTREAL NEW YORK LONDON, ENG. VANCOUVER VICTORIA WINNIPEG CALGARY
LONDON HAMILTON OTTAWA KITCHENER ST. CATHARINES GALT, ONTARIO QUEBEC BOSTON, MASS.

Map □

Lake Huron

MAP OF SOUTHWESTERN ONTARIO

SHOWING FACILITIES OF
UNION GAS COMPANY OF CANADA, LIMITED
AND ITS SUBSIDIARY COMPANIES

AS AT MARCH 31, 1958

LEGEND

Pipeline Systems

- Union Gas Company of Canada, Limited
- Dominion Natural Gas Company Limited system acquired by Union Gas Company on April 15, 1958
- Ontario Natural Gas Storage and Pipelines Limited
- United Gas Limited and United Suburban Gas Company, Limited (proposed pipelines are shown as broken lines in the appropriate color)

Gas Storage Fields

Facilities of Trans-Canada Pipe Lines Limited and
Niagara Gas Transmission Limited

Existing Pipelines Proposed Pipelines

STATE OF
MICHIGAN



Lake Erie



Lake Ontario

The following information has been supplied by officers of the Company.

The Company

Union Gas Company of Canada, Limited (herein referred to as the "Company") is engaged directly and through two wholly-owned subsidiaries in the production, purchase, storage, gathering, transmission, distribution and sale of natural gas to residential, commercial and industrial customers in communities in southwestern Ontario, many of which are indicated on the map contained in this prospectus. In addition to the said wholly-owned subsidiaries, the Company owns over 99% of the outstanding common shares (the voting stock) of United Fuel Investments, Limited.

History—The Company was incorporated under the laws of the Province of Ontario in 1911 as The Union Natural Gas Company of Canada, Limited. In 1931 its name was changed to Union Gas Company of Canada, Limited and in the same year it acquired all the capital stock of City Gas Company of London. In 1953 the Company caused to be incorporated Ontario Natural Gas Storage and Pipelines Limited (herein sometimes referred to as "Ontario Natural") which in 1957 purchased from the Company certain assets as more fully referred to herein.

On April 15, 1958 the Company acquired all of the natural gas properties of Dominion Natural Gas Company, Limited (herein sometimes referred to as "Dominion Natural"), other than those located in the Counties of Lincoln and Welland. The assets so acquired, being approximately 78% (based on relative costs) of Dominion Natural's properties, constitute an integrated system for the purchase, production, transmission and distribution of natural gas. As more fully indicated on the accompanying map the area served by the newly acquired system complements the other service areas of the Company.

Subsidiary Companies

CITY GAS COMPANY OF LONDON, a wholly-owned subsidiary, has franchises for the sale of gas in the City of London and the Townships of London and Westminster.

ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED, a wholly-owned subsidiary, purchases gas from major suppliers which it stores, transmits and sells on a wholesale basis to gas distributors (including the Company) for re-sale to residential, commercial and industrial customers in southwestern Ontario and in the Hamilton-Oakville area.

In December 1957 Ontario Natural acquired from the Company the latter's underground storage gas facilities (including compressor station and base pressure gas) in Lambton County, and a 66-mile 16" diameter pipeline, a compressor station and other facilities required to transport, from Ojibway, Ontario to the underground storage area, natural gas imported by the Company from the United States. Ontario Natural also acquired from the Company the latter's inventory of gas held in underground storage for sale, certain inventories of materials and supplies and contracts for the purchase and sale of gas. The purchase was at book value and \$6,000,000 of the purchase price was paid by issuance to the Company of \$6,000,000 in principal amount of 5½% Sinking Fund Debentures and the balance in cash. Since acquisition of these assets Ontario Natural has completed a 142-mile 26" diameter transmission pipeline extending from the underground storage area in Lambton County to a point of connection in Trafalgar Township near Oakville, Ontario, with the Trans-Canada pipeline. In addition Ontario Natural owns approximately 55 miles of transmission lines of various sizes to permit delivery of gas from the 26" line to the cities of Guelph, Hamilton, Kitchener, London, Stratford and Waterloo and the towns of Strathroy and St. Marys.

UNITED FUEL INVESTMENTS, LIMITED, a partially owned subsidiary, is a holding company owning all the capital stock of Hamilton By Product Coke Ovens, Limited and United Gas Limited. Hamilton By Product Coke Ovens, Limited manufactures coke and related by-products. United Gas Limited, directly and through its wholly-owned subsidiary, United Suburban Gas Company, Limited, distributes natural gas to customers in the city of Hamilton and the towns and villages of Acton, Bronte, Burlington, Dundas, Georgetown, Milton, Oakville, Stoney Creek and Waterdown and the townships of Esquesing, Saltfleet, Trafalgar and West Flamborough.

Property—After giving effect to the acquisition of Dominion Natural's properties referred to herein, the Company and its two wholly-owned subsidiaries own and operate approximately—

418 miles of gathering lines,
1,555 miles of transmission lines ranging up to 26 inches in diameter,
2,508 miles of urban and rural distribution lines.
TOTAL 4,481 miles

In addition they operate numerous gas wells located in 15 fields, office buildings, appliance showrooms and shops, 6 compressor stations for the transmission and storage of gas, and four underground gas storage pools with approximately 35 billion cubic feet capacity in Lambton County. Additional storage capacity is available and can be put into use if required.

Under date of June 4, 1958 Stone & Webster Canada Limited provided the Company with the following report.

STONE & WEBSTER CANADA LIMITED

44 KING STREET WEST
TORONTO 1, CANADA

Mr. T. Weir,
Vice-President and General Manager,
Union Gas Company of Canada, Limited,
Chatham, Ontario.

June 4, 1958

Dear Sir:

APPRAISAL OF PROPERTY

In compliance with your requests, we have appraised the property of Union Gas Company of Canada, Limited and of its wholly-owned subsidiaries, City Gas Company of London and Ontario Natural Gas Storage and Pipelines Limited, and the property recently acquired by Union Gas Company of Canada, Limited from Dominion Natural Gas Company, Limited.

The appraisal covers the physical properties of the companies which were used and useful in serving the public and reflects our estimate of the cost to reproduce these properties new and new less depreciation at December 31, 1957 for the property acquired from Dominion Natural Gas Company, Limited and at March 31, 1958 for the other properties. Reproduction cost new less depreciation is one of the accepted bases of measuring the present day value of the property of an operating business.

The results of our appraisal are summarized as follows:

UNION GAS COMPANY OF CANADA, LIMITED

(a) Property at March 31, 1958

	Cost to Reproduce	New Less
	New	Depreciation
Land.....	\$ 474,612	\$ 474,612
Structures.....	3,169,890	2,425,100
Improvements to Leased Property.....	9,640	7,700
Gas Plant Equipment.....	838,200	677,800
Mains.....	34,797,490	29,100,400
Services.....	5,364,600	4,248,900
Meters.....	4,192,800	3,303,300
Wells and Field Lines.....	7,217,200	1,841,400
General Equipment.....	1,208,400	867,300
Communication Equipment.....	85,100	74,100
Autos and Vehicles.....	509,300	202,000
	<u>\$ 57,867,732</u>	<u>\$ 43,222,612</u>

(b) Property at December 31, 1957 recently acquired from Dominion Natural Gas Company, Limited

	Cost to Reproduce	New Less
	New	Depreciation
Land.....	\$ 144,690	\$ 144,690
Structures.....	637,878	420,315
Gas Plant Equipment.....	796,835	609,380
Mains.....	20,568,134	16,465,933
Services.....	1,259,977	882,000
Meters.....	1,908,612	1,527,700
Wells and Field Lines.....	8,620,343	5,052,720
General Equipment.....	601,310	388,600
Autos and Vehicles.....	332,321	158,300
	<u>\$ 34,870,100</u>	<u>\$ 25,649,638</u>
Total, Union Gas Company of Canada, Limited.....	<u>\$ 92,737,832</u>	<u>\$ 68,872,250</u>

CITY GAS COMPANY OF LONDON

	Cost to Reproduce	New Less
	New	Depreciation
Land.....	\$ 382,424	\$ 382,424
Structures.....	559,100	423,500
Mains.....	5,235,000	4,155,250
Services.....	2,004,700	1,524,800
Meters.....	1,094,800	867,500
General Equipment.....	152,800	110,400
Communication Equipment.....	15,400	13,340
Autos and Vehicles.....	92,600	49,600
	<u>\$ 9,536,824</u>	<u>\$ 7,526,814</u>
Total, City Gas Company of London.....		

ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED

	Cost to Reproduce	New Less
	New	Depreciation
Land.....	\$ 35,761	\$ 35,761
Structures.....	791,500	695,100
Gas Plant Equipment.....	1,743,500	1,514,900
Mains.....	22,879,200	22,294,900
Wells and Storage Lines.....	1,901,200	1,721,200
General Equipment.....	5,060	4,600
Communication Equipment.....	1,540	1,400
Autos and Vehicles.....	5,900	5,300
Subtotal.....	<u>\$ 27,363,661</u>	<u>\$ 26,273,161</u>
Base Pressure Gas, at cost.....	<u>3,343,000</u>	<u>3,343,000</u>
Total, Ontario Natural Gas Storage and Pipelines Limited.....	<u>30,706,661</u>	<u>29,616,161</u>
TOTAL, UNION GAS COMPANY OF CANADA, LIMITED AND WHOLLY-OWNED SUBSIDIARIES.....	<u>\$132,981,317</u>	<u>\$106,015,225</u>

Our appraisal excludes gas reserves and allowances for Organization, Working Capital, Cost of Financing and Going Value. Land acquired in 1952 and prior years by Union Gas Company of Canada, Limited, and its wholly-owned subsidiaries, is included at 1952 market value with subsequent land additions at cost, while land acquired from Dominion Natural Gas Company, Limited is included at market value at December 31, 1957.

Deductions for depreciation allow for losses in value due to physical deterioration as well as functional factors where found to be applicable.

Yours very truly,
STONE & WEBSTER CANADA LIMITED
 (Signed) **R. S. BOYD,**
 Appraisal Manager.

The property of Ontario Natural is subject to a first fixed and specific mortgage and charge and a first floating charge securing \$20,000,000 principal amount of First Mortgage Bonds of that company.

Area Served—Natural gas is being supplied by the Company and its direct and indirect subsidiaries, herein-before referred to, to approximately 197,000 customers in the cities of Brantford, Chatham, Galt, Guelph, Hamilton, London, Sarnia, Stratford, St. Thomas, Waterloo, Windsor, Woodstock, the towns of Acton, Alvinston, Blenheim, Bothwell, Bronte, Burlington, Delhi, Dresden, Dundas, Dunnville, Essex, Georgetown, Hespeler, Ingersoll, Kingsville, Leamington, Milton, Oakville, Paris, Petrolia, Preston, Ridgeway, Riverside, Simcoe, Stoney Creek, Strathroy, Tecumseh, Tilbury, Wallaceburg and Waterdown as well as villages and townships in the franchise area.

During the past year, lines were extended and customers added in established market areas, and in addition, natural gas service was extended to the cities of Guelph, Stratford and Waterloo and the town of Strathroy. Service to St. Marys will commence in the summer of 1958. In December 1957, Ontario Natural commenced the sale of natural gas on a wholesale basis to United Gas Limited which serves the Hamilton-Oakville area, and entered into a contract to supply gas for distribution in the city of Kitchener by the Public Utilities Commission of that city. Deliveries under the Kitchener contract commenced in May, 1958.

A conservative estimate of the population of the franchise area is 1,500,000.

The Company's program of plant expansion and extensions into new markets continues, and it is anticipated that during the current fiscal year gas transmission lines will be extended from the Windsor area to the town of Amherstburg and from the Stratford area to the town of Goderich. Gas will also be distributed in other municipalities along the route of the lines. Numerous plant extensions and expansion and replacement projects also will be carried out in the established market areas, including the franchise areas recently acquired from Dominion Natural.

Gas Sales Statistics—The following table sets out certain gas sale statistics of the Company and its wholly-owned subsidiaries.

	Fiscal years ended March 31				
	1958	1957	1956	1955	1954
CUSTOMERS—(end of year):					
Residential.....	99,318	88,840	84,153	80,180	75,987
Commercial.....	9,974	9,264	8,893	8,451	8,083
Industrial.....	659	567	546	560	560
Other utilities (1).....	2	1	1	1	1
Total.....	<u>109,953</u>	<u>98,672</u>	<u>93,593</u>	<u>89,192</u>	<u>84,631</u>
GAS SALES—M.C.F.					
Residential.....	10,280,844	9,103,201	7,975,805	7,066,095	5,920,970
Commercial.....	2,324,808	1,992,905	1,707,203	1,483,419	1,282,059
Industrial.....	2,496,245	2,289,013	2,212,424	1,569,848	1,708,425
Other utilities (1).....	2,374,482	1,816,425	1,580,320	1,362,134	1,149,429
Total.....	<u>17,476,379</u>	<u>15,201,544</u>	<u>13,475,752</u>	<u>11,481,496</u>	<u>10,060,883</u>
GAS SALES REVENUE					
Residential.....	\$11,157,191	\$ 9,913,275	\$ 8,737,444	\$ 7,791,405	\$ 6,610,631
Commercial.....	2,374,335	2,046,164	1,767,083	1,557,865	1,353,522
Industrial.....	2,123,773	1,936,813	1,982,423	1,675,506	1,823,525
Other utilities (1).....	1,216,487	919,837	803,479	731,406	629,827
Total.....	<u>\$16,871,786</u>	<u>\$14,816,089</u>	<u>\$13,290,429</u>	<u>\$11,756,182</u>	<u>\$10,417,505</u>
AVERAGE CONSUMPTION PER METER—M.C.F.					
Residential.....	110.8	105.6	97.2	90.5	79.6
Commercial.....	245.9	223.2	199.8	183.1	161.6

(1) Dominion Natural in 1954 to 1958 and United Gas Limited in 1958.

(2) Where referred to in this prospectus M.C.F. means 1,000 cubic feet.

Set out below are comparable gas sales statistics of Dominion Natural for the five years ended December 31, 1957. As mentioned above, approximately 78% of Dominion Natural's properties were acquired by the Company on April 15, 1958.

	Fiscal years ended December 31				
	1957	1956	1955	1954	1953
CUSTOMERS—(end of year)					
Residential.....	51,481	50,550	50,226	45,714	47,010
Commercial.....	4,115	3,894	3,573	2,746	2,821
Industrial.....	189	181	161	287	283
Other utilities.....	4	5	6	5	6
Total.....	55,789	54,630	53,966	48,752	50,120
GAS SALES—M.C.F.					
Residential.....	3,086,796	2,946,125	2,630,661	2,430,180	2,130,612
Commercial.....	675,717	646,667	515,629	322,209	282,801
Industrial.....	201,146	171,491	162,005	296,163	290,960
Other utilities.....	120,538	113,087	171,799	232,115	225,059
Total.....	4,084,197	3,877,370	3,480,094	3,280,667	2,929,432
GAS SALES REVENUE					
Residential.....	\$ 4,336,869	\$ 4,146,130	\$ 3,374,162	\$ 2,991,792	\$ 2,648,483
Commercial.....	906,959	868,281	641,998	375,183	329,974
Industrial.....	260,896	223,698	191,536	324,360	318,440
Other utilities.....	103,224	98,768	131,299	171,113	165,474
Supplemental charge, etc.....			425,212	669,142	691,447
Total.....	\$ 5,607,948	\$ 5,336,877	\$ 4,764,207	\$ 4,531,590	\$ 4,153,818
AVERAGE CONSUMPTION PER METER—M.C.F.					
Residential —M.C.F.....	60.0	58.3	52.4	53.2	45.3
Commercial—M.C.F.....	164.2	166.1	144.3	117.3	100.0

Gas Balance Statistics—The following "gas balance" tabulations, A. for the Company and its wholly-owned subsidiaries and B. for Dominion Natural, indicate source and utilization of gas during the past five fiscal years which, in the case of the Company end on March 31 and, in the case of Dominion Natural end on December 31. In reading these statistics it should be borne in mind that, as stated above, the Company acquired on April 15, 1958 approximately 78% of the properties of Dominion Natural. It will be noted that volumes of gas sold by the Company to and purchased by Dominion Natural are included in the statistics.

A.—THE COMPANY AND ITS WHOLLY-OWNED SUBSIDIARIES

	Fiscal years ended March 31				
	1958	1957	1956	1955	1954
GAS BALANCE—M.C.F.					
Gas produced from Company wells.....	1,180,700	1,106,160	1,332,994	1,772,013	1,925,209
Natural gas imported.....	11,221,118	6,438,863	5,413,717	5,444,523	5,497,101
Natural gas purchased locally.....	(A)9,903,699	(A)9,347,258	7,167,220	5,287,298	4,651,227
Total all gas.....	22,305,517	16,892,281	13,913,931	12,503,834	12,073,537
Gas into storage.....	(A)8,022,283	(A)3,612,357	4,514,309	4,482,608	4,476,009
Gas out of storage.....	5,458,074	2,527,191	4,913,331	4,234,136	3,227,648
Net gas into or out of (-) storage.....	2,564,209	1,085,166	(-) 399,022	248,472	1,248,361
Total gas send out.....	19,741,308	15,807,115	14,312,953	12,255,362	10,825,176
Gas sales.....	17,476,379	15,201,544	13,475,752	11,481,496	10,060,883
Gas loaned to other companies.....	1,074,791	—	—	—	—
Company use.....	425,740	194,747	199,393	195,025	189,815
Unbilled and unaccounted for, etc.....	764,398	410,824	637,808	578,841	574,478
	19,741,308	15,807,115	14,312,953	12,255,362	10,825,176
PEAK DAY SEND OUT—M.C.F.....	216,609	123,658	94,846	82,935	69,985
GAS WITHDRAWN FROM STORAGE ON PEAK DAY—M.C.F.....	160,128	70,814	63,212	52,333	41,559

Note A—Exclusive of 11.18 billion cubic feet of gas purchased in the field in 1957 and .18 billion cubic feet in 1958 and remaining in storage at year end.

	Fiscal years ended December 31				
	1957	1956	1955	1954	1953
GAS BALANCE—M.C.F.					
Natural gas produced from own wells.....	2,088,187	2,019,771	1,694,407	1,439,804	1,431,826
Natural gas purchased locally: From Union Gas Co... From other producers..	1,939,182 785,779	1,700,805 755,379	1,500,682 920,596	1,219,159 959,909	1,004,867 1,005,577
Propane gas produced.....	8,179	268	400	33	9,159
Oil gas produced.....	1,275	723	7,630	3,409	1,260
Total gas made available.....	<u>4,822,602</u>	<u>4,476,946</u>	<u>4,123,715</u>	<u>3,622,314</u>	<u>3,452,689</u>
Volume of gas sales.....	<u>4,084,197</u>	<u>3,877,370</u>	<u>3,480,094</u>	<u>3,280,667</u>	<u>2,929,432</u>
Company use.....	43,751	42,498	47,755	44,020	42,750
Unbilled and unaccounted for etc.....	694,654	557,078	595,866	297,627	480,507
Total.....	<u>4,822,602</u>	<u>4,476,946</u>	<u>4,123,715</u>	<u>3,622,314</u>	<u>3,452,689</u>

Gas Supply—Natural gas production from Union Gas Company's own wells totalled 1,180 million cubic feet in the fiscal year ended March 31, 1958 but, as can be seen above, accounted for only a small portion of the Company's send out. Because of the large volume of natural gas now being purchased under contract, gas is produced from the Company's wells only to the extent made necessary by competitive conditions in the producing fields and to meet any unusual operating conditions on the system.

Natural gas is purchased locally under several contracts with independent producers operating gas wells in southwestern Ontario.

In addition the Company has long term contracts with Ontario Natural for the purchase from it of natural gas as follows:

1. By a 20-year contract (entered into by the Company) dated as of December 2, 1957 the Company is entitled to purchase up to 2 billion cubic feet of gas in each of the first and second years increasing progressively to 32 billion cubic feet in the 13th and subsequent years, and the Company is required to take or in any event pay for a minimum of 75% of the stated volume for each of the second and subsequent years.
2. By a 20-year contract (assigned to the Company by Dominion Natural) dated as of December 2, 1957 the Company is entitled to purchase up to 600 million cubic feet of gas in the first year increasing progressively to 4.3 billion cubic feet in the fifth and subsequent years and the Company is required to take or in any event pay for a minimum of 75% of the stated volume for each year.
3. By a contract (assigned to the Company by Dominion Natural) dated March 31, 1953 and expiring April 1, 1970 (subject to sooner termination) the Company has contracted for varying annual volumes of gas not exceeding 2 billion cubic feet in any one year.

In addition to the above contracts for the supply of natural gas to the Company, City Gas Company of London has entered into a 20-year contract dated as of December 2, 1957 with Ontario Natural whereby City Gas is entitled to purchase from Ontario Natural volumes of natural gas up to 4 billion cubic feet in the first year increasing progressively to 6 billion cubic feet in the 13th and subsequent years. City Gas is required to take or in any event pay for a minimum of 75% of the stated volume for each year.

Natural gas is available to Ontario Natural from the following sources.

1. **PANHANDLE EASTERN PIPE LINE COMPANY**—Under a 20-year agreement dated November 25, 1944 (as amended) the Company receives 5.5 billion cubic feet of gas annually deliverable in the months of April to October inclusive which it in turn sells to Ontario Natural.

Under an additional agreement dated April 21, 1954 (as amended), the following amounts of gas are contracted for by the Company, which has agreed to sell to Ontario Natural the volumes taken—

During the contract year beginning November 1	Billion Cubic Feet
1957.....	.11.5
1958.....	.12.5
1959.....	.13.5
1960.....	.14.5
1961 and subsequent years.....	.15.5

Commencing November 1, 1958, during each contract year the Company is required to take or in any event pay for a minimum of 75% of the volume for the contract year. This contract is for a term of 20 years from November 5, 1956. However, the Company is entitled to terminate this contract one year after gas has become available from Trans-Canada Pipe Lines Limited under the contract hereinafter mentioned, provided that notice of termination is given on or before November 1, 1960, and it has been agreed with Trans-Canada that such right of termination will be exercised.

2. TRANS-CANADA PIPE LINES LIMITED—Under a contract dated January 18, 1955 (as amended), between the Company and Trans-Canada which has been assigned by the Company to Ontario Natural, the latter is to receive for a period of 20 years from the date of first delivery annual volumes of gas increasing progressively up to 64 billion cubic feet. The volume in the year of first delivery depends upon the calendar year in which delivery first takes place. Ontario Natural is obligated to take or in any event pay for a minimum of 75% of the stipulated volumes for each contract year. Trans-Canada has advised that it expects to have gas available at the delivery point on or about November 1, 1958, in which event Ontario Natural will commence to take gas under the contract on or about November 1, 1959.

Gas Reserves—Under date of June 3, 1958 Ralph E. Davis Associates, independent petroleum and natural gas consultants, reported on the sufficiency of gas to the Company and its wholly-owned subsidiaries, as follows:

RALPH E. DAVIS ASSOCIATES
CONSULTANTS
PETROLEUM AND NATURAL GAS
1238 COMMERCE BUILDING
HOUSTON

Union Gas Company of Canada, Limited
48 Fifth Street,
Chatham, Ontario,
Canada.

June 3, 1958

Gentlemen:

At your request, we have made a study of the natural gas reserves owned by or under contract to Union Gas Company of Canada, Limited (Union), including such reserves applicable to the properties acquired on April 15, 1958, by Union from Dominion Natural Gas Company, Limited.

Union produces gas from its own reserves, purchases gas from local independent producers, and purchases gas from a wholly-owned subsidiary, Ontario Natural Gas Storage and Pipelines Limited (Ontario Natural).

The gas available to Ontario Natural to meet its sales commitments is presently dependent on supplies obtained from Panhandle Eastern Pipe Line Company. In the future, Ontario Natural will be dependent almost entirely for its supplies on gas to be obtained from Trans-Canada Pipe Lines Limited.

Reserves owned or controlled by Union from local sources are estimated at 134 billion cubic feet as of May 1, 1958. These reserves include 59 billion cubic feet available from company-owned wells and 75 billion cubic feet controlled by gas purchase contracts with local independent producers.

Despite the intensive past exploration for oil and gas in southwestern Ontario new reserves continue to be found. It is expected that future drilling in this area will moderately increase the local supply of gas.

Union and its wholly-owned subsidiary, City Gas Company of London (London), purchase gas from Ontario Natural under three contracts extending for a primary period ending January 1, 1978.

The annual volumes of gas which Union and London are entitled to purchase under these contracts increase progressively and reach a maximum of 42.3 billion cubic feet in the year commencing January 1, 1970, and thereafter. The maximum volumes of gas deliverable to Union and London over the remaining primary period of the contracts is 602 billion cubic feet. Under a further contract, Union is entitled to purchase from Ontario Natural a total of approximately 24 billion cubic feet over a period extending to April 1, 1970.

The volumes of gas available to Union and London as at May 1, 1958, are accordingly estimated to be as follows:

(i) Local reserves owned.....	59 billion cubic feet
(ii) Local reserves under contract.....	75 billion cubic feet
(iii) Volumes to be received under contracts with Ontario Natural.....	626 billion cubic feet
Total.....	<u>760 billion cubic feet</u>

Ontario Natural will obtain its gas requirements under the following contracts:

- (1) Contract between Trans-Canada Pipe Lines Limited (supplier) and Union Gas Company of Canada, Limited, dated January 18, 1955, as amended, and assigned by Union to Ontario Natural Gas Storage and Pipelines Limited as of December 2, 1957, and
- (2) Contract between Panhandle Eastern Pipe Line Company (supplier) and Union Gas Company of Canada, Limited, dated November 25, 1944, as amended. By agreement dated as of November 30, 1957, Union sells to Ontario Natural Gas all gas purchased under this contract, and
- (3) Contract between Panhandle Eastern Pipe Line Company (supplier) and Union Gas Company of Canada, Limited, dated as of April 21, 1954, as amended. By agreement dated as of December 2, 1957, Union sells to Ontario Natural Gas all gas purchased under this contract.

The maximum volumes of gas deliverable to Ontario Natural under the said contracts after May 1, 1958, are approximately 1,113.3 billion cubic feet. In addition, Ontario Natural had in its storage pools on May 1, 1958, 21 billion cubic feet of gas and is entitled to recover 1.4 billion cubic feet under gas exchange agreements.

Existing contracts, including those with Union and London, require Ontario Natural to sell and deliver over a period of 20 years from May 1, 1958, a maximum of 875 billion cubic feet of gas.

We are generally familiar with the gas supply available to both Panhandle Eastern Pipe Line Company and Trans-Canada Pipe Lines Limited and are informed that, while deliveries of gas are currently being received in accordance with the terms of the Panhandle Company contracts, deliveries under the Trans-Canada contract, which are to continue for a minimum period of 20 years from date of first delivery, are expected to commence on or about November 1, 1959. Based upon this knowledge it is our opinion that each of these suppliers controls, or will be able to obtain in competition with others, gas supplies sufficient, and suitable from the standpoint of availability, to fulfil its obligations to supply gas under the respective above-mentioned contracts and for the terms thereof.

We are familiar with the development and operation of the underground gas storage facilities of Ontario Natural and the prior operator, Union. In our opinion, the planned operation of these facilities will enable Ontario Natural to adequately meet its obligation to purchase, and to market, the volumes of gas required to be purchased by it under the above-mentioned contracts.

Yours very truly,

RALPH E. DAVIS ASSOCIATES
(Signed) RALPH E. DAVIS

Government Regulations and Gas Rates—The Ontario Fuel Board is authorized by The Ontario Fuel Board Act, 1954 to control and regulate production, storage, transmission, distribution, sale, disposal, supply and use of natural gas in Ontario and make orders in respect thereof. As provided in the Act, the Board may make orders fixing the rates, meter rentals and other charges to be paid by ultimate consumers of natural gas.

Appliance Sales and Sales Promotion—The Company and its direct and indirect subsidiaries which distribute natural gas to customers are actively engaged in the sale of gas appliances for space heating, cooking, water heating, refrigeration, etc. Adequately staffed appliance showrooms are maintained in all important centres in the franchise area to promote the sale of appliances and the use of gas. Sales promotion activities also include an employee training plan and a program of dealer co-operation aimed at encouraging dealers to promote the sale and installation of all types of gas appliances. With the large volumes of natural gas now available to the companies, these gas sales promotional activities are being extensively expanded.

Capitalization

The following statement of capitalization of the Company and its two wholly-owned subsidiaries is after giving effect to:

- (a) the issue of \$12,500,000 First Mortgage and Collateral Trust Bonds, Series B,
- (b) the issue of \$9,000,000 Debentures, 1958 Series,
- (c) the subdivision of the presently authorized 1,000,000 shares without par value into 5,000,000 shares and the increase of authorized capital to 6,000,000 shares without par value by supplementary letters patent, application for which has been authorized by the board of directors subject to confirmation by the shareholders at the annual and special general meeting to be held on June 19, 1958.

FUNDED DEBT:

UNION GAS COMPANY OF CANADA, LIMITED	Outstanding
First Mortgage and Collateral Trust Bonds: (1)	
4½% Sinking Fund Bonds, Series A, due March 1, 1968	\$ 6,350,000
4½% Serial Bonds, Series B, due December 1, 1961 to 1968	3,500,000
5% Sinking Fund Bonds, Series B, due December 1, 1977	9,000,000
Debentures: (1)	
5¾% Sinking Fund Debentures due January 15, 1975	8,000,000
5½% Serial Debentures, 1958 Series, due December 1, 1961 to 1968	2,400,000
5½% Sinking Fund Debentures, 1958 Series, due December 1, 1977	6,600,000
ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED	
First Mortgage Bonds: (1)	
5¼% First Mortgage Sinking Fund Bonds due January 15, 1978	20,000,000

CAPITAL STOCK:

Shares without par value (authorized 6,000,000 shares)	4,413,750 shs.
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- (1) Additional bonds and debentures may be authorized and issued subject to the provisions of the Trust Deeds and the Trust Indenture respectively.

Purpose of Issue

The net proceeds from the sale of the bonds of this issue, together with the net proceeds from the contemporaneous sale of the 1958 Series Debentures, will be used as to approximately \$12,000,000 in repayment of bank and other indebtedness and as to the balance for general corporate purposes. The said indebtedness was incurred in connection with the purchase of certain of the properties of Dominion Natural Gas Company, Limited referred to herein.

Security

In the opinion of counsel, the bonds of this issue will be direct obligations of the Company and will rank pari passu and be secured equally and ratably (except as to sinking funds) with the Series A Bonds. The

Series A Bonds were issued under the provisions of a Deed of Trust and Mortgage dated as of March 1, 1953 executed by the Company in favour of The Canada Permanent Trust Company, as Trustee. The bonds of this issue will be issued under the provisions of the said Deed of Trust and Mortgage and of a Supplemental Deed of Trust and Mortgage to be dated as of June 1, 1958 and to be executed by the Company in favour of the said Trustee. The said Deed of Trust and Mortgage and Supplemental Deed of Trust and Mortgage and certain other deeds or instruments supplemental or ancillary to the said Deed of Trust and Mortgage are hereinafter sometimes collectively called the Trust Deed. The Trust Deed will constitute, in the opinion of counsel:

- (1) a first fixed and specific mortgage and charge (subject to the exceptions hereinafter referred to) on—
 - (a) lands owned by the Company and the buildings, fixed plant, fixed machinery and fixed equipment thereon;
 - (b) the right, title and interest of the Company in certain additional lands and rights of way held for pipeline purposes;
 - (c) the transmission and distribution pipelines and systems of the Company and all pipes, valves, gauges, meters and other apparatus comprised therein or pertaining thereto;
 - (d) 20,000 shares (par value \$20) in the capital stock of City Gas Company of London, 476,000 shares (without par value) in the capital stock of Ontario Natural Gas Storage and Pipelines Limited (such shares being all the outstanding shares in the capital stock of those respective companies) and \$6,000,000 principal amount of 5½% Sinking Fund Debentures due January 15, 1979 of Ontario Natural Gas Storage and Pipelines Limited; and
 - (e) the two principal gas purchase contracts dated as of December 2, 1957 entered into by or assigned to the Company and more specifically referred to under the heading "Gas Supply" of this prospectus; and
- (2) a first floating charge under the laws of Ontario upon the undertaking and all other property and assets, present and future, of the Company;

subject, as regards the specific charge, to appropriate provisions with respect to the dealing with, retention, use, disposition and release from such specific charge of property subject thereto, and as regards the floating charge, to customary provisions permitting dealing with the undertaking, property and assets of the Company in the ordinary course of business and the carrying on of same. The Company's interest in certain production and storage assets are subject to release from the charge of the Trust Deed in the event of the sale thereof to a Pledged Subsidiary.

In the event of the Company acquiring additional freehold lands or transmission or distribution pipelines or systems, the Trust Deed requires that they be subjected to the specific mortgage and charge thereof.

Certain plant and equipment formerly used for the manufacture of gas and no longer required in the present operations of the Company are not subjected to the fixed and specific mortgage and charge of, but are subject to the floating charge of, the Trust Deed and, insofar as the pipelines of the Company are laid in public or quasi-public lands pursuant to franchise, licence or agreement, the Company's interest in such instruments is likewise subject only to the floating charge.

Issue of Additional Bonds

Under the Trust Deed, in addition to the Series A Bonds and the bonds of this issue, additional bonds may be created and issued in one or more additional series not exceeding in aggregate principal amount—

- (a) 60% of available property additions (as defined in the Trust Deed) acquired or constructed by the Company after March 31, 1953, and
- (b) the principal amount of first mortgage bonds of a Pledged Subsidiary, which bonds have been acquired by the Company and are not more than 60% of available property additions of such Pledged Subsidiary, limited in the case of City Gas Company of London to additions acquired or constructed after March 31, 1953.

The Trust Deed also contains provisions for the issue of such additional bonds in anticipation of the acquisition or construction of property additions by the Company or a Pledged Subsidiary and for the issue of refunding bonds.

The right of the Company to issue such additional bonds is subject to the requirement that Consolidated Earnings Available for Bond Interest for two out of the preceding three fiscal years of the Company shall be at least 2½ times the annual interest requirements of all bonds to be outstanding after such issue.

Certain Covenants

The Company will covenant in the Trust Deed, among other things, substantially to the effect that so long as any of the bonds of this issue are outstanding:

- (a) it will not create or issue any additional bonds of which the mandatory retirement provisions (by maturities, serial or otherwise, and/or by sinking fund) would, in any twelve-month period while bonds of this issue are outstanding, retire a greater percentage of the issued principal amount of such additional bonds than the percentage of principal amount of bonds of this issue which the Company is required to retire through serial maturities or sinking fund in the same period, unless prior to the

issue of such additional bonds the Company shall covenant with the Trustee to increase to such greater percentage the principal amount of bonds of this issue required to be retired in each such twelve-month period; provided that the provisions of this clause shall not apply to any additional bonds up to an amount equal to 25% of the total principal amount of all first mortgage bonds of the Company to be outstanding after the issue of such additional bonds;

- (b) it will not make any distribution (as defined in the Trust Deed) to its shareholders unless:
- (i) the amount of undistributed consolidated net earnings (computed as provided in the Trust Deed) is at least sufficient to provide for such distribution; and
 - (ii) the amount of consolidated net current assets (computed as provided in the Trust Deed) exceeds \$1,000,000 by an amount sufficient to provide for such distribution;

subject to an appropriate provision to permit the Company to pay dividends on and meet sinking fund requirements in respect of preference shares.

Definitions

The Trust Deed contains definitions (among others) substantially as follows:

“Subsidiary” means a corporation of which more than 50% of the outstanding voting stock is at the time owned directly or indirectly by or held for the Company and/or by or for any one or more Subsidiaries, provided that the ownership of such voting stock confers the right in all circumstances to elect at least a majority of the board of directors of such corporation;

“wholly-owned Subsidiary,” means a corporation of which at least 95% of the outstanding capital stock (or of each class thereof if more than one) is at the time owned directly or indirectly by or held for the Company and/or by or for any one or more wholly-owned Subsidiaries;

“Pledged Subsidiary” means a Subsidiary all of whose shares, bonds and other securities at the time owned by the Company form part of the Specifically Mortgaged Premises;

“Consolidated Net Earnings” means the income from all sources (but not including gains or losses on the sale or disposal of capital assets or investments) of the Company and all wholly-owned Subsidiaries computed on a consolidated basis in accordance with generally accepted accounting practice after charging or making provision acceptable to the Company’s Auditors for interest, amortization of bond discount and expense, taxes on income or profits, depreciation on depreciable properties, plant and equipment and for all other expenses of operation (including natural gas development costs to the extent actually charged by the Company against revenue) and administration;

“Consolidated Earnings Available for Bond Interest” for any period means an amount computed by determining the Consolidated Net Earnings for such period and adding thereto all amounts paid or provided for interest on the Bonds, amortization of bond discount and expense, and taxes on income or profits to the extent that they have been deducted in determining such Consolidated Net Earnings.

Union Gas Company of Canada Limited

(Incorporated under the laws of Ontario)
and its wholly-owned subsidiaries

Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet
March 31, 1958

PROPERTIES AT COST:

Distribution systems, transmission lines, gas wells and gathering lines, gas storage facilities, land and buildings, etc.....
Less accumulated depreciation.....

Base pressure gas in underground storage held to maintain operating well head pressure.....

INVESTMENT IN SUBSIDIARY AND ITS SUBSIDIARY:

United Fuel Investments, Limited—89,902 common shares of no par value—at cost (Note 1)..
4 1/4% First Mortgage Bonds of Hamilton By Product Coke Ovens Limited due December 1, 1959—at cost.....

CURRENT ASSETS:

Cash.....
Short term investments—at cost (market value \$4,642,554).....
Accounts receivable from sale of gas and merchandise, less allowance for doubtful accounts.....
Inventories of appliances and materials for resale—valued at the lower of cost or market.....
Gas in underground storage and receivable, available for current sale—at cost.....

DEFERRED AND OTHER ASSETS:

Stores and spare equipment—at cost.....
Mortgages and agreements for sale.....
Prepaid expenses, etc.....
Discount and expenses on issues of funded debt—balance to be amortized in future years.....
Gas in underground storage and receivable, dedicated to or delivered under gas exchange agreement.....

SHAREHOLDERS' EQUITY:

Capital stock (Note 2)

Authorized:

1,000,000 shares without any nominal or par value

Issued:

882,750 shares.....

Accumulated earnings retained for use in the business (Note 3).....

Liabilities

Contributions in aid of construction.....

Funded debt (Note 4).....

Deposit held under gas exchange agreement.....

Accumulated income tax reductions applicable to future years.....

CURRENT LIABILITIES:

Accounts payable and accrued charges including meter and special line deposits.....
Dividend payable.....
Estimated income and other taxes payable.....
Accrued interest on funded debt.....
Mortgage bond sinking fund instalments due March 1, 1959

Assets	Consolidated balance sheet	Pro forma consolidated balance sheet (Note 7)
Distribution systems, transmission lines, gas wells and gathering lines, gas storage facilities, land and buildings, etc.....	\$60,443,170	\$ 75,693,170
Less accumulated depreciation.....	11,534,806	11,534,806
Base pressure gas in underground storage held to maintain operating well head pressure.....	\$48,908,364	\$ 64,158,364
	3,343,407	3,343,407
	<u>\$52,251,771</u>	<u>\$ 67,501,771</u>
United Fuel Investments, Limited—89,902 common shares of no par value—at cost (Note 1).. 4 1/4% First Mortgage Bonds of Hamilton By Product Coke Ovens Limited due December 1, 1959—at cost.....	\$ 2,048,661	\$ 2,048,661
	500,000	500,000
	<u>\$ 2,048,661</u>	<u>\$ 2,548,661</u>
Cash.....	\$ 6,419,392	\$ 10,306,796
Short term investments—at cost (market value \$4,642,554).....	4,622,876	4,622,876
Accounts receivable from sale of gas and merchandise, less allowance for doubtful accounts.....	3,616,361	4,399,345
Inventories of appliances and materials for resale—valued at the lower of cost or market.....	332,857	405,108
Gas in underground storage and receivable, available for current sale—at cost.....	1,237,693	1,237,693
	<u>\$16,229,179</u>	<u>\$ 20,971,818</u>
Stores and spare equipment—at cost.....	\$ 2,219,769	\$ 3,153,948
Mortgages and agreements for sale.....	32,118	32,118
Prepaid expenses, etc.....	190,098	237,067
Discount and expenses on issues of funded debt—balance to be amortized in future years.....	688,604	1,386,604
Gas in underground storage and receivable, dedicated to or delivered under gas exchange agreement.....	1,646,476	1,646,476
	<u>\$ 4,777,065</u>	<u>\$ 6,456,213</u>
	<u>\$75,306,676</u>	<u>\$ 97,478,463</u>
Capital stock (Note 2)		
Authorized:		
1,000,000 shares without any nominal or par value		
Issued:		
882,750 shares.....	\$20,938,286	\$ 20,938,286
Accumulated earnings retained for use in the business (Note 3).....	12,913,438	12,913,438
Contributions in aid of construction.....	\$33,851,724	\$ 33,851,724
Funded debt (Note 4).....	\$ 149,607	\$ 149,607
Deposit held under gas exchange agreement.....	\$33,900,000	\$ 55,400,000
Accumulated income tax reductions applicable to future years.....	\$ 2,106,000	\$ 2,106,000
	<u>\$ 715,696</u>	<u>\$ 715,696</u>
Accounts payable and accrued charges including meter and special line deposits	\$ 2,344,136	\$ 2,950,324
Dividend payable.....	353,100	353,100
Estimated income and other taxes payable.....	1,100,522	1,166,121
Accrued interest on funded debt.....	335,891	335,891
Mortgage bond sinking fund instalments due March 1, 1959	450,000	450,000
	<u>\$ 4,583,649</u>	<u>\$ 5,255,436</u>
	<u>\$75,306,676</u>	<u>\$ 97,478,463</u>

Approved on behalf of the Board:

(Signed) DAVID P. ROGERS, Director

(Signed) T. WEIR, Director

See notes to Consolidated and Pro forma Consolidated Balance Sheets on following page.

Auditors' Report

To the Directors of

Union Gas Company of Canada, Limited.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Union Gas Company of Canada, Limited and its wholly-owned subsidiaries as at March 31, 1958. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet presents fairly the financial position of the companies as at March 31, 1958. In our opinion also the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies at the same date, after giving effect to the changes set forth in Note 7.

Toronto, Canada
June 10, 1958.

(Signed) CLARKSON, GORDON & CO.
Chartered Accountants.

Union Gas Company of Canada, Limited
and its wholly-owned subsidiaries

Notes to Consolidated and Pro Forma Consolidated Balance Sheets
March 31, 1958

(1) UNITED FUEL INVESTMENTS, LIMITED, A NON-CONSOLIDATED SUBSIDIARY—

- (a) The assets and liabilities of United Fuel Investments, Limited and its subsidiaries are not consolidated with those of Union Gas Company of Canada, Limited because of the substantial minority interest in that company, but a consolidated balance sheet of the subsidiary is shown separately on page 16 of this prospectus.
- (b) The parent company's share of the undistributed profits of the above subsidiary earned since the acquisition of a controlling interest in the subsidiary in October, 1950, amounted to \$1,040,951 to March 31, 1958. This amount has not been taken into the accounts of Union Gas Company of Canada, Limited.

(2) CAPITAL STOCK—

Subsequently to March 31, 1958, the directors have passed a special resolution subject to confirmation at the annual and special general meeting of shareholders on June 19, 1958 authorizing an application for supplementary letters patent subdividing the presently authorized 1,000,000 shares without par value into 5,000,000 shares and increasing the authorized capital to 6,000,000 shares. If supplementary letters patent are granted the presently issued 882,750 shares will be subdivided into 4,413,750 shares.

(3) ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS—

Under certain conditions of the trust indenture providing for the issue of the 5 3/4% sinking fund debentures, not more than \$4,413,882 of the accumulated earnings retained for use in the business as at March 31, 1958 were available for payment as dividends.

(4) FUNDED DEBT—

Details of this debt as at March 31, 1958 are as follows:

	Consolidated balance sheet	Pro forma consolidated balance sheet
UNION GAS COMPANY OF CANADA, LIMITED:		
First Mortgage and Collateral Trust Bonds		
4 3/4% Sinking Fund Bonds, Series A, due March 1, 1968	\$ 6,538,000	\$ 6,538,000
Outstanding	188,000	188,000
Less cash in hands of trustee for bond redemptions on April 1, in compliance with the trust deed	\$ 6,350,000	\$ 6,350,000
	450,000	450,000
	<u>\$ 5,900,000</u>	<u>\$ 5,900,000</u>
Deduct sinking fund instalment due March 1, 1959 shown as a current liability	3,500,000	9,000,000
	<u>\$ 5,900,000</u>	<u>\$18,400,000</u>
4 3/4% Serial Bonds, Series B, due December 1, 1961-1968		
5% Sinking Fund Bonds, Series B, due December 1, 1977		

UNION GAS COMPANY OF CANADA, LIMITED:

Debentures		
5 3/4% Sinking Fund Debentures due January 15, 1975	\$ 8,000,000	\$ 8,000,000
5% Serial Debentures, 1958 Series, due December 1, 1961-1968	2,400,000	6,600,000
5 1/2% Sinking Fund Debentures, 1958 Series, due December 1, 1977	<u>\$ 8,000,000</u>	<u>\$17,000,000</u>

ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED:

First Mortgage Bonds		
5 1/4% Sinking Fund Bonds, due January 15, 1978	\$20,000,000	\$20,000,000
Total funded debt, per balance sheets	<u>\$33,900,000</u>	<u>\$55,400,000</u>

(5) GAS PURCHASE CONTRACTS—

The Company is a party to a number of gas purchase agreements under which it is entitled to receive gas as follows:

- (i) By contract dated April 21, 1954, as amended, Panhandle Eastern Pipe Line Company has agreed to sell to Union annual amounts of natural gas ranging up to 15.5 billion cubic feet in the contract year beginning November 1, 1961. Union is obligated to take or pay for a minimum of 75% of the contract volumes after November 1, 1958. The contract is for a term of 20 years from November 5, 1956, but Union is entitled to terminate it one year after gas becomes available from Trans-Canada Pipe Lines Limited provided that notice of termination is given by November 1, 1960. Union has agreed with Trans-Canada that it will exercise such right of termination.
- (ii) By contract dated January 18, 1955, as amended, Trans-Canada Pipe Lines Limited has agreed to sell to Union annual amounts of gas increasing progressively up to 64 billion cubic feet. The contract is for a term of 20 years from the date of first delivery. Union is obligated to take or pay for 75% of the stipulated volume for each contract year. It is anticipated that deliveries of gas under this contract will commence about November 1, 1959 in which event the stipulated maximum volume of deliveries for the first year will be 20.5 billion cubic feet. This contract has been assigned by Union to Ontario Natural Gas Storage and Pipelines Limited.
- (iii) By a number of other contracts the Company is obligated to purchase approximately 15 billion cubic feet of gas each year.

(6) CAPITAL EXPENDITURES—

In addition to the acquisition of certain of the properties and related assets of Dominion Natural Gas Company, Limited reflected in the pro forma consolidated balance sheet, capital expenditures of approximately \$15,000,000 are presently contemplated for the fiscal year ending March 31, 1959.

(7) PRO FORMA CONSOLIDATED BALANCE SHEET—

The pro forma consolidated balance sheet gives effect to the following:

- (a) The purchase from Dominion Natural Gas Company, Limited, on April 15, 1958 of its gas distribution system, transmission lines, gas wells, etc., and the concurrent resale to Provincial Gas Company, Limited of a portion of the property so acquired, at a net cost of \$15,250,000 (including estimated acquisition expense of \$83,652); the purchase of current and other assets related to such operations totalling \$1,846,733; and the assumption of certain current liabilities of that company aggregating \$671,787 in part payment of the purchase price.
- (b) The purchase of \$500,000 4 3/4% First Mortgage Bonds of Hamilton By Product Coke Ovens, Limited from United Fuel Investments, Limited for \$500,000.
- (c) The sale to underwriters of \$12,500,000 First Mortgage and Collateral Trust 4 3/4% Serial and 5% Sinking Fund Bonds, Series B, for \$12,115,000 and \$9,000,000 5% Serial and 5 1/2% Sinking Fund Debentures, 1958 Series, for \$8,787,000 and the payment of estimated expenses of \$100,000 in connection therewith.

Union Gas Company of Canada, Limited
and its wholly-owned subsidiaries

Statement of Consolidated Earnings
for the ten years ended March 31, 1958

Year ended March 31	Gross revenues derived from sale of gas	Earnings from operations and investment income before depreciation, interest and taxes on income (Note 1)	Depreciation (Note 2)	Earnings before interest expense and taxes on income	Interest expense	Taxes on income (Note 3)	Net earnings
1949.....	\$ 5,705,458	\$ 1,946,044	\$ 684,774	\$ 1,261,270	\$ 87,075	\$ 473,876	\$ 700,319
1950.....	6,575,375	2,447,745	684,605	1,763,140	71,525	701,441	990,174
1951.....	8,223,290	3,296,897	711,542	2,585,355	57,788	1,152,901	1,374,666
1952.....	8,652,138	3,063,209	706,522	2,356,687	93,947	1,085,295	1,177,445
1953.....	9,086,030	3,733,240	711,494	3,021,746	199,291	1,237,392	1,585,063
1954.....	10,417,505	4,058,081	707,305	3,350,776	389,534	1,213,980	1,747,262
1955.....	11,756,182	4,621,705	747,300	3,874,405	386,695	1,553,470	1,934,240
1956.....	13,290,429	4,757,497	782,339	3,975,158	381,883	1,590,994	2,002,281
1957.....	14,816,089	5,521,298	847,140	4,674,158	460,322	1,851,881	2,361,955
1958.....	16,871,786	6,772,003	1,072,366	5,699,637	675,538	2,463,000	2,561,099

NOTES:

1. Dividends of \$89,892 in each of the years 1952 to 1956 and \$89,902 in 1957 and 1958 received from United Fuel Investments Limited, a non-consolidated subsidiary, have been included in the earnings set forth above. The earnings of United Fuel Investments, Limited and its subsidiaries are not consolidated with those of Union Gas Company of Canada, Limited because of the substantial minority interest in that company but a statement of its consolidated earnings is shown separately on page 17 of this prospectus.
 2. As at April 1, 1954 the property accounts of the company, which had formerly been shown partly at appraised values, were restated on a cost basis, including overhead costs which were applicable to property additions in the period 1929 to 1947 but which had been written off in those years. In calculating the annual depreciation provision for 1955 and subsequent years rates approved by Stone & Webster Engineering Corporation were applied to these revised cost figures. Had the depreciation provisions for all years prior to 1955 been recalculated on the basis of these rates applied to cost figures for properties, the resulting annual provisions would have been less than the amounts of depreciation actually provided in the accounts in every year except 1952, but in no year would the difference have exceeded 8% of the amount shown.
 3. Provisions for taxes on income reflect Federal assessments for all years except that ending March 31, 1958 which reflects the company's estimate of tax payable. Certain of these assessments are under appeal by the company.
- From 1953 on the company and its subsidiaries have been able to claim for tax purposes capital cost allowances and drilling expenditures on productive wells in amounts greater than the depreciation recorded in the accounts in those years. The provision for taxes on income from 1955 on has been computed without reflecting the resulting tax reductions which in the aggregate amount to \$715,696 (1955—\$149,052; 1956—\$49,279; 1957—\$71,999; 1958—\$445,366). These amounts will be restored to income in those future years when the depreciation recorded in the accounts will be greater than the amounts which may be claimed for tax purposes. The accumulated differences are shown in the balance sheet under the caption "Accumulated income tax reductions applicable to future years."

To the Directors of
Union Gas Company of Canada, Limited:

We have examined the statement of consolidated earnings of Union Gas Company of Canada, Limited and its wholly-owned subsidiaries for the ten years ended March 31, 1958. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement, when read with the footnotes thereto, presents fairly the consolidated earnings of Union Gas Company of Canada, Limited and its wholly-owned subsidiaries for the ten years ended March 31, 1958.

Toronto, Canada,
June 10, 1958.

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants.

The aggregate maximum annual interest charges on the \$18,850,000 principal amount of First Mortgage and Collateral Trust Bonds, Series A and Series B, of the Company and the \$20,000,000 principal amount of First Mortgage Sinking Fund Bonds of Ontario Natural Gas Storage and Pipelines Limited to be outstanding upon completion of the present financing will amount to \$1,967,875.

Earnings of Dominion Natural Gas Company, Limited

The following statement of earnings of Dominion Natural Gas Company, Limited for the ten years and three months ended March 31, 1958 has been examined by Arthur Young & Company, independent public accountants, whose report with respect thereto appears below. As set out elsewhere in this prospectus, Union has acquired approximately 78% of the properties of Dominion Natural Gas Company, Limited. The earnings of Dominion shown below are not necessarily indicative of the earnings which may accrue to Union upon its acquisition of such properties from Dominion.

Dominion Natural Gas Company, Limited Statement of Earnings For the Ten Years and Three Months ended March 31, 1958

Year ended December 31	Gross revenues from sales of gas and crude oil, and other operating revenue	Earnings from operations and interest income before depreciation, interest expense and taxes on income	Depre- ciation	Earnings before interest expense and taxes on income	Interest expense	Taxes on income (Note 1)	Net earnings (Notes 2 and 3)
1948.....	\$2,540,625	\$ 527,641	\$362,236	\$ 165,405	\$11,980	\$ —	\$153,425
1949.....	2,979,874	557,212	364,643	192,569	53,469	—	139,100
1950.....	3,521,013	959,672	362,315	597,357	44,200	10,929	542,228
1951.....	3,550,735	773,568	364,645	408,923	37,256	133,665	238,002
1952.....	4,227,993	1,446,476	395,461	1,051,015	33,548	377,395	640,072
1953.....	4,235,281	1,271,507	406,737	864,770	32,269	179,773	652,728
1954.....	4,686,637	1,411,648	392,084	1,019,564	27,061	312,680	679,823
1955.....	4,904,570	1,427,832	418,630	1,009,202	21,707	341,684	645,811
1956.....	5,471,157	1,912,667	432,552	1,480,115	16,695	513,687	949,733
1957.....	5,736,157	2,023,577	483,292	1,540,285	24,679	544,690	970,916
Three months ended March 31, 1958 (Note 3).....	2,432,691	1,081,233	118,519	962,714	11,076	392,000	559,638

NOTES

1. For income tax purposes, Dominion has availed itself of statutory deductions for drilling expenditures on productive wells and depletion, which vary from year to year.
2. Special credits made directly to earned surplus and not included in earnings during the period were as follows: 1950—Gain on sale of investment (no dividends received in 1948-1950)—\$946,832; 1956—Gain on sale of land—\$69,358. The net income for the year 1950 differs from that previously reported in Dominion's annual financial statements as a result of the retroactive reclassification of a tax refund of \$140,150 received in that year applicable to 1947 and prior.
3. Because of the seasonal nature of Dominion's business, the earnings for the three months ended March 31, 1958 are not indicative of earnings for a full year. In addition, taxes on income are computed on a going concern basis without recognition of the fact that the operating properties will have been sold before the end of the taxation year.

The Board of Directors,
Dominion Natural Gas Company, Limited:

We have examined the accompanying statement of earnings of Dominion Natural Gas Company, Limited for the ten years and three months ended March 31, 1958. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statement of earnings mentioned above presents fairly the summarized results of operations of Dominion Natural Gas Company, Limited for the ten years and three months ended March 31, 1958, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

New York, New York,
May 22, 1958.

(Signed) ARTHUR YOUNG & COMPANY

United Fuel Investments, Limited
 (Incorporated under the laws of Canada)
 and its wholly-owned subsidiaries

Consolidated Balance Sheet and Pro forma Consolidated Balance Sheet

March 31, 1958

	Assets	Consolidated Balance sheet	Pro forma Consolidated balance sheet (Note 4)
PROPERTY:			
Gas and coke manufacturing plants, distribution systems, transmission lines, land, buildings, franchises, rights, etc.—at cost.....		\$16,509,435	\$16,509,435
Less accumulated depreciation.....		8,032,083	8,032,083
Premium paid on acquisition of subsidiary companies.....		\$ 8,477,352	\$ 8,477,352
		4,079,955	4,079,955
		<u>\$12,557,307</u>	<u>\$12,557,307</u>
CURRENT:			
Cash.....		\$ 145,293	\$ 3,860,386
Accounts receivable less allowance for doubtful accounts.....		929,533	929,533
Inventories valued at the lower of cost or market.....		828,724	828,724
Income taxes recoverable.....		296,817	296,817
		<u>\$ 2,200,367</u>	<u>\$ 5,915,460</u>
DEFERRED AND OTHER ASSETS:			
Funds on deposit with trustee for bondholders.....		\$ 418,564	\$ 164,560
Stores and spare equipment.....		164,560	50,186
Prepaid expenses and deferred charges.....		50,186	50,186
Balances to be amortized in future years—			
Natural gas conversion costs.....		694,890	694,890
Discount and expenses on issue of funded debt.....		37,350	186,250
		<u>\$ 1,365,550</u>	<u>\$ 1,095,886</u>
		<u>\$16,123,224</u>	<u>\$19,568,653</u>
	Liabilities		
SHAREHOLDERS' EQUITY:			
Capital (Note 1)—			
Class "A" 6% cumulative preference shares of \$50 each—			
Authorized and issued—90,000 shares.....		\$ 4,500,000	\$ 4,500,000
Class "B" non-cumulative preference shares of \$25 each—			
Authorized and outstanding—69,689 shares.....		1,742,225	1,742,225
Common shares of no par value—			
Authorized and issued—90,000 shares.....		50,000	50,000
Contributed surplus arising from discount on redemption of Class "B" preference shares.....		417,220	417,220
Accumulated earnings retained for use in the business.....		4,463,238	4,446,798
		<u>\$11,172,683</u>	<u>\$11,156,243</u>
FUNDED DEBT (Note 4):			
First collateral mortgage serial and sinking fund bonds—authorized \$5,500,000 of which originally issued \$4,500,000			
Outstanding—4% Sinking Fund Series "A" due December 1, 1959.....		\$ 1,990,000	\$ 6,500,000
5 1/4% First Mortgage Sinking Fund Bonds of United Gas Limited due October 1, 1977.....			
4 3/4% First Mortgage Bonds Series "A" of Hamilton By Product Coke Ovens, Limited due December 1, 1959.....		500,000	500,000
		<u>\$ 1,990,000</u>	<u>\$ 7,000,000</u>
DEFERRED:			
Accumulated tax reductions applicable to future years.....		\$ 379,700	\$ 379,700
CURRENT:			
Bank indebtedness.....		\$ 1,548,131	\$ 670,126
Accounts payable and accrued charges.....		670,126	295,084
Income and other taxes payable.....		295,084	67,500
Dividend payable.....		67,500	67,500
		<u>\$ 2,580,841</u>	<u>\$ 1,032,710</u>
Approved on behalf of The Board:			
(Signed) DAVID P. ROGERS, Director			
(Signed) T. WEIR, Director			

See notes to Consolidated and Pro forma Consolidated Balance Sheets on following page.

Auditors' Report

To the Directors of
 Union Gas Company of Canada, Limited:

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of United Fuel Investments, Limited and its wholly-owned subsidiaries as at March 31, 1958 and the statement of consolidated earnings for the ten years ended March 31, 1958. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion—

- (a) the accompanying consolidated balance sheet presents fairly the financial position of the companies as at March 31, 1958;
- (b) the accompanying pro forma consolidated balance sheet presents fairly the financial position of the company at the same date after giving effect to the changes set forth in Note 4;
- (c) the accompanying statement of consolidated earnings, when read with the notes thereto, presents fairly the earnings of the companies for the ten years ended March 31, 1958.

Hamilton, Canada,
 June 10, 1958.

(Signed) CLARKSON, GORDON & Co.
 Chartered Accountants.

United Fuel Investments, Limited
and its wholly-owned subsidiaries

Notes to Consolidated and Pro forma Consolidated Balance Sheets

March 31, 1958

1. CAPITAL STOCK—

The Class "A" preference shares are redeemable at the option of the company or by purchase in the open market for cancellation at a price not exceeding \$60.

The Class "B" preference shares are non-voting and have a preference only on winding up. They participate pro-rata with the common shares in any payment of dividends over and above the cumulative preferential dividends payable on the Class "A" preference shares. The Class "B" preference shares are redeemable only through purchase for cancellation by the company in the open market at a price not exceeding \$30.

2. FUTURE CAPITAL EXPENDITURES—

At March 31, 1958 the companies had authorized further expenditures of \$3,000,000 for the expansion of gas distribution and other facilities.

3. NATURAL GAS CONTRACTS—

By contract dated December 2, 1957, United Gas Limited, a wholly-owned subsidiary company, has agreed to purchase from Ontario Natural Gas Storage and Pipelines Limited annual amounts of natural gas ranging from 4.25 billion cubic feet in the calendar year 1958 to 14.5 billion cubic feet in the calendar year 1970 and subsequent years. United Gas Limited is obliged to take or in any event pay for a minimum of 75% of the stipulated volume for each contract year, less such quantities as may be purchased under an existing contract with Niagara Gas Transmission Limited.

4. PRO FORMA BALANCE SHEET—

The accompanying pro forma balance sheet reflects the following:

- (a) The issue and sale to A. E. Ames & Co. Limited, since March 31, 1958, by a subsidiary company, United Gas Limited, of \$6,500,000 5 1/4% First Mortgage Sinking Fund Bonds dated April 1, 1958 and maturing October 1, 1977 for \$6,353,750, and the payment of estimated expenses in connection therewith, \$40,000;
- (b) The retirement of the bank indebtedness;
- (c) The sale to a subsidiary of Union Gas Company of Canada, Limited of \$500,000 4 1/4% First Mortgage Bonds of Hamilton By Product Coke Ovens Limited, maturing December 1, 1959 for \$500,000;
- (d) The redemption by United Fuel Investments, Limited, since March 31, 1958, of \$1,990,000 First Collateral Mortgage 4% Sinking Fund Bonds, Series "A", at par, and the discharge of the trust deed securing these bonds.

United Fuel Investments, Limited
and its wholly-owned subsidiaries

Statement of Consolidated Earnings
for the ten years ended March 31, 1958

Year ended March 31	Earnings before depreciation, interest expense and taxes on income (Note 1)	Depreciation (Note 1)	Earnings before interest expense and taxes on income (Note 1)	Interest expense and premium on bond redemptions	Income taxes (Note 2)	Net earnings (Notes 1 & 2)	Portion of net earnings applicable to 89,902 common shares owned by Union Gas Company of Canada, Limited at March 31, 1958
1949.....	\$1,610,241	\$251,126	\$1,359,115	\$162,979	\$ 468,790	\$ 727,346	\$257,478
1950.....	1,567,781	288,031	1,279,750	160,857	430,209	688,684	235,712
1951.....	2,421,564	346,259	2,075,305	153,583	878,595	1,043,127	435,257
1952.....	2,564,910	331,967	2,232,943	153,632	1,119,177	960,134	388,533
1953.....	1,970,303	324,211	1,646,092	119,393	782,226	744,473	267,120
1954.....	1,610,615	317,540	1,293,075	101,876	592,580	598,619	185,007
1955.....	1,382,768	312,771	1,069,997	101,876	482,358	485,763	121,471
1956.....	1,817,834	331,163	1,486,671	101,876	691,547	693,248	238,281
1957.....	1,701,219	377,953	1,323,266	85,526	639,300	598,440	184,906
1958.....	1,459,778	430,895	1,028,883	113,054	500,000	415,829	82,090

NOTES:

1. As of April 1, 1956, the subsidiary gas distribution companies, in accordance with present public utility accounting practice, changed their basis of accounting for additions to properties to include therein applicable overhead costs. At the same time, the basis of providing for depreciation was changed from the reducing balance method at maximum rates permitted for tax purposes to the straight-line method at rates approved by the consulting engineers. If the earnings of prior years had been adjusted to reflect the accounting practices adopted in the 1957 fiscal year, the consolidated net earnings for the year ended March 31, 1956 would have been increased by approximately \$65,000, and net earnings for the years 1949 to 1955 inclusive would have been affected by relatively insignificant amounts.
2. The subsidiary companies may for tax purposes deduct expenditures on conversion of facilities for utilization of natural gas in the year such expenditures are incurred, whereas these costs are being amortized in the accounts over a ten-year period. In addition, they may deduct capital cost allowances in excess of the depreciation recorded in the accounts. In the fiscal years affected, 1956, 1957 and 1958, the provision for taxes on income has been computed without reflecting the resulting tax reductions which in the aggregate amounted to \$379,700 (1956—\$24,142, 1957—\$41,558, 1958—\$314,000). This amount is included in the balance sheet at March 31, 1958 in the item "Accumulated tax reductions applicable to future years". These reductions will be restored to income in those future years when the amounts recorded in the accounts are greater than the amounts which may be claimed for tax purposes.

Statutory Information

- (a) UNION GAS COMPANY OF CANADA, LIMITED (hereinafter called the "Company") has its head office at 48 Fifth Street, Chatham, Ontario.
- (b) The Company was incorporated under the laws of the Province of Ontario by letters patent dated December 19, 1911 under the name of The Union Natural Gas Company of Canada, Limited, which was changed to its present form by supplementary letters patent dated August 8, 1931. There were also issued to the Company supplementary letters patent dated May 7, 1914, January 23, 1925, July 14, 1927, June 12, 1929, September 2, 1931, April 17, 1940, December 16, 1941 and August 23, 1956.

- (c) The business actually transacted by the Company is the production, purchase, transmission, distribution and sale of natural gas to residential, commercial and industrial customers in southwestern Ontario.

(d)

Directors

WILLIAM LINDLEY DUFFIELD.....	Executive.....	369 St. George Street, London, Ontario.
CHARLES MOREHOUSE KENNEDY.....	Executive.....	751 West Ferry Street, Buffalo, New York, U.S.A.
THOMAS MONTGOMERY.....	Retired Engineer.....	276 North Brock Street, Sarnia, Ontario.
SYDNEY AMHERST MORSE.....	Retired Executive.....	1690 Lakeshore Road, R.R. 3, Sarnia, Ontario.
ROLAND LORD O'BRIAN.....	Investment Banker.....	256 North Street, Buffalo, New York, U.S.A.
FREDERICK ROLAND PALIN, C.A.....	Executive.....	236 Elizabeth Drive, Chatham, Ontario.
DAVID PEARSON ROGERS.....	Executive.....	155 Dunvegan Road, Toronto, Ontario.
RHYS MANLY SALE.....	Executive.....	1 Benvenuto Place, Toronto, Ontario.
WALTER DENT SMITH.....	Executive.....	5 Rosemary Lane, Toronto, Ontario.
ROY LANG WARREN.....	Investment Dealer.....	1 Benvenuto Place, Toronto, Ontario.
THOMAS WEIR, F.C.A.....	Executive.....	River Road, Raleigh Township, R.R. 5, Chatham, Ontario.

NOTE: There is a vacancy on the Board of Directors of the Company. A full Board will be elected at the Annual and Special General Meeting of Shareholders to be held on June 19, 1958.

Officers

DAVID PEARSON ROGERS.....	President.....	155 Dunvegan Road, Toronto, Ontario.
ROY LANG WARREN.....	First Vice-President.....	1 Benvenuto Place, Toronto, Ontario.
ROLAND LORD O'BRIAN.....	Vice-President.....	256 North Street, Buffalo, New York.
THOMAS WEIR, F.C.A.....	Vice-President and General Manager.....	River Road, Raleigh Township, R.R. 5, Chatham, Ontario.
FREDERICK ROLAND PALIN, C.A.....	Assistant General Manager, Secretary and Treasurer.....	236 Elizabeth Drive, Chatham, Ontario.

- (e) The auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, 15 Wellington Street West, Toronto, Ontario.

- (f) The registers and transfer books in respect of the bonds offered hereby (as well as the other bonds and debentures of the Company referred to in paragraph (i) hereof) will be maintained at the offices of The Canada Permanent Trust Company in the cities of Toronto, Montreal and Winnipeg.

The transfer agents for the shares of the Company are The Canada Permanent Trust Company in Toronto, Ontario, and The Chase Manhattan Bank in New York, N.Y.; the registrars for such shares are Crown Trust Company in Toronto, Ontario, and The New York Trust Company in New York, N.Y.

(g) The authorized share capital of the Company consists of 1,000,000 shares without any nominal or par value of which 882,750 shares have been issued and fully paid up and are outstanding. The Directors have passed a Special Resolution authorizing an application for Supplementary Letters Patent subdividing the said 1,000,000 shares into 5,000,000 shares and increasing the authorized capital to 6,000,000 shares without par value. The Special Resolution will be submitted for confirmation at the Annual and Special General Meeting of Shareholders to be held on June 19, 1958.

(h) All shares of the capital stock of the Company rank pari passu in all respects.

(i) The Company proposes to issue \$12,500,000 principal amount of First Mortgage and Collateral Trust Bonds, Series B (herein sometimes referred to as the "Series B Bonds") of which \$3,500,000 will be 4 $\frac{3}{4}\%$ Serial Bonds maturing \$400,000 on each of December 1, 1961 and 1962 and \$450,000 on each of December 1, 1963 to 1968 inclusive, and \$9,000,000 will be 5% Sinking Fund Bonds due December 1, 1977 (herein sometimes referred to as the "Series B Sinking Fund Bonds" and being the securities offered by this prospectus). The Series B Bonds are to be issued under the provisions of a Deed of Trust and Mortgage dated as of March 1, 1953 between the Company and The Canada Permanent Trust Company as Trustee, as to be supplemented by a Supplemental Deed of Trust and Mortgage to be dated as of June 1, 1958. Reference is made to the face of this prospectus and to pages 9 to 11 inclusive hereof for further particulars of the Series B Bonds and for certain provisions of the said Deed of Trust and Mortgage and Supplemental Deed.

There are now outstanding under the said Deed of Trust and Mortgage \$6,350,000 principal amount of 4 $\frac{3}{4}\%$ First Mortgage and Collateral Trust Sinking Fund Bonds, Series A, due March 1, 1968, which rank pari passu with the Series B Bonds.

The Company also has outstanding under a Trust Indenture dated as of January 15, 1957 between the Company and The Canada Permanent Trust Company as Trustee \$8,000,000 principal amount of 5 $\frac{3}{4}\%$ Sinking Fund Debentures due January 15, 1975 and the Company is issuing contemporaneously herewith \$9,000,000 principal amount of Debentures (herein sometimes referred to as the "1958 Series Debentures") of which \$2,400,000 will be 5% Serial Debentures maturing \$275,000 on each of December 1, 1961 to 1964 inclusive and \$325,000 on each of December 1, 1965 to 1968 inclusive, and \$6,600,000 will be 5 $\frac{1}{2}\%$ Sinking Fund Debentures due December 1, 1977 to be issued under the said Trust Indenture and an Indenture supplemental thereto. The said debentures are unsecured and thus rank junior to the Series B Bonds and all other bonds issued or to be issued under the above mentioned Deed of Trust and Mortgage.

(j) No substantial indebtedness has been created or assumed or is to be created or assumed which is not shown by the consolidated balance sheet or pro forma consolidated balance sheet as at March 31, 1958 included in this prospectus except that since the date of the said balance sheets bank and other indebtedness has been incurred in the amount of approximately \$12,000,000, which will be repaid out of the proceeds of the sale of the Series B Bonds and the 1958 Series Debentures.

(l) The securities offered by this prospectus are \$9,000,000 principal amount of 5% First Mortgage and Collateral Trust Sinking Fund Bonds, Series B, to be dated as of June 1, 1958 and to mature December 1, 1977. The issue price by the Company is stated in paragraph (p) hereof and the issue price to the public is stated on the face of this prospectus.

Pursuant to an agreement dated December 12, 1956 with A. E. Ames & Co. Limited and an agreement dated January 10, 1957 with Metropolitan Life Insurance Company, the Company sold to institutional purchasers the \$8,000,000 principal amount of 5 $\frac{3}{4}\%$ Sinking Fund Debentures due January 15, 1975 referred to in paragraph (i) hereof. The Company received \$8,000,000 in cash for the said debentures and paid a commission of \$80,000 in connection therewith.

The Company offered to its shareholders of record at the close of business on May 23, 1957 the right to purchase one additional share of its capital stock for each four shares held at the subscription price of \$55.00 per share and entered into an agreement dated May 10, 1957 with A. E. Ames & Co. Limited whereby it agreed to purchase any unsubscribed shares. Pursuant to such offer and agreement the Company issued 176,550 additional shares of its capital stock, received \$9,774,427 in cash therefor and paid commissions aggregating \$70,620. To facilitate the offering the Company issued prior thereto one share of its capital stock and received \$84 in cash therefor.

(m) The net proceeds to be derived by the Company from the sale of the Series B Bonds are \$12,115,000; expenses of issue are to be paid out of the general funds of the Company.

(n) The said net proceeds from the sale of the Series B Bonds, together with the net proceeds estimated at \$8,787,000 from the contemporaneous sale of the 1958 Series Debentures, will be used as to approximately \$12,000,000 in repayment of bank and other indebtedness and as to the balance for general corporate purposes. The said indebtedness was incurred in connection with the purchase of certain properties of Dominion Natural Gas Company, Limited referred to in paragraph (u) hereof. It is not at present anticipated that any portion of the said proceeds will be held in trust pending or subject to the fulfilment of any conditions; however, investigation of the title of certain of such properties which may be included in the additional property to be used as the basis for the certification of the Series B Bonds has not been completed at the date of this prospectus. This may involve the deposit of a portion of the proceeds of the sale of the Series B Bonds with the Trustee pending establishment of such titles, but will not affect the repayment of the aforesaid indebtedness.

(p) By agreement dated June 9, 1958, the Company agreed to sell and A. E. Ames & Co. Limited agreed to purchase, subject to the terms and conditions therein contained, the \$12,500,000 principal amount of Series B Bonds (which includes the \$9,000,000 principal amount of Series B Sinking Fund Bonds offered hereby) at the price of \$12,115,000 plus accrued interest from June 1, 1958 to the date of delivery. By the same agreement the Company agreed to sell and A. E. Ames & Co. Limited agreed to purchase, subject to the terms and conditions therein contained, the \$9,000,000 principal amount of 1958 Series Debentures referred to in paragraph (i) at the price of \$8,787,000 plus accrued interest from June 1, 1958 to the date of delivery.

(q) The Company's by-laws contain the following provisions as to the remuneration of directors: "The directors shall be paid such remuneration, if any, as the board may from time to time determine. Any remuneration so payable to a director who is also an officer or employee of the Company or who is counsel or solicitor to the Company or otherwise serves it in a professional capacity shall, unless the board shall otherwise determine, be in addition to his salary as such officer or to his professional fees as the case may be. In addition the board may by resolution from time to time award special remuneration out of the funds of the Company to any director who performs any special work or service for, or undertakes any special mission on behalf of the Company outside the work or services ordinarily required of a director of the Company. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or shareholders' meetings or otherwise in respect of the performance by them of their duties as the board may from time to time determine. No confirmation by the shareholders of any such remuneration or payment shall be required."

(r) The aggregate remuneration estimated to be paid or payable during the current financial year of the Company ending March 31, 1959 to directors of the Company as such is \$24,000 and to officers of the Company who individually have received or may be entitled to receive remuneration in excess of \$10,000 per annum is \$105,000.

(s) During the two preceding years the Company paid the commissions referred to in paragraph (l) hereof.

(u) On April 15, 1958, pursuant to an agreement dated February 20, 1958, the Company purchased from Dominion Natural Gas Company, Limited substantially the whole of its property and assets consisting of facilities for the production, transmission and distribution of natural gas in southwestern Ontario. The Company acquired all of the right, title and interest of Dominion Natural Gas Company, Limited to such property and assets, free of encumbrance, the nature of such interest being in some cases freehold and in other cases a leasehold or other limited interest.

(v) The address of Dominion Natural Gas Company, Limited is 220 Delaware Avenue, Buffalo, New York. The purchase price is \$21,523,133 (subject to possible minor adjustments) payable as to \$743,306 by assumption of liabilities and the balance in cash, whereof \$20,592,892 was paid on April 15, 1958 and the balance is payable on June 17, 1958. No part of the purchase price is payable for goodwill. Pursuant to an agreement dated as of February 20, 1958 the Company sold to Provincial Gas Company, Limited such of the assets purchased by the Company from Dominion Natural Gas Company, Limited as were situate in the Counties of Lincoln and Welland. The sale price is \$4,510,052 (subject to possible minor adjustments) payable as to \$71,519 by assumption of liabilities and the balance in cash, whereof \$4,406,551 was received on April 15, 1958 and the balance is receivable on June 17, 1958.

(x) Reference is made to pages 9 to 11 of this prospectus for particulars of the security created for the Series B Bonds.

(za) During the two years preceding the date of this prospectus the Company has entered into the following contracts in addition to contracts in the ordinary course of business:

- (1) the Trust Indenture referred to in paragraph (i) hereof;
- (2) the two agreements with A. E. Ames & Co. Limited and the agreement with Metropolitan Life Insurance Company referred to in paragraph (l) hereof;
- (3) an agreement dated as of November 30, 1957 by which the Company agreed to sell to its wholly-owned subsidiary, Ontario Natural Gas Storage and Pipelines Limited, certain facilities for the transmission and storage of natural gas;
- (4) the agreement with Dominion Natural Gas Company, Limited referred to in paragraph (u) hereof;
- (5) the agreement with Provincial Gas Company, Limited referred to in paragraph (v) hereof; and
- (6) the agreement with A. E. Ames & Co. Limited referred to in paragraph (p) hereof.

Copies of the said agreements and of the Gas Purchase Contracts referred to on page 7 of this prospectus may be inspected at the head office of the Company, 48 Fifth Street, Chatham, Ontario, during ordinary business hours in the period of primary distribution to the public of the Series B Bonds.

The foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

DATED this 12th day of June, 1958.

Directors

(Signed) W. L. DUFFIELD

(Signed) F. PALIN

(Signed) C. M. KENNEDY*

(Signed) DAVID P. ROGERS

(Signed) THOS. MONTGOMERY*

(Signed) R. M. SALE

(Signed) S. A. MORSE*

(Signed) W. DENT SMITH*

(Signed) R. L. O'BRIAN*

(Signed) R. L. WARREN

(Signed) T. WEIR

*by his Agent, DAVID P. ROGERS

Underwriters

To the best of our knowledge, information and belief, the foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

A. E. AMES & Co. LIMITED

by: (Signed) F. D. CHAPMAN

The following are the names of all persons having an interest directly or indirectly to the extent of not less than five per centum in the capital of A. E. Ames & Co. Limited: R. L. Warren, F. D. Chapman, J. B. Ridley, H. D. Leeming, C. G. Fullerton, W. P. Spragge, W. Robson, R. B. West.

\$20,000,000

**Ontario Natural Gas Storage and Pipelines
Limited**

(Incorporated under the laws of Ontario)

5 1/4% First Mortgage Sinking Fund Bonds

To be dated January 15, 1958

To mature January 15, 1978

Principal of the bonds of this issue, half-yearly interest thereon (January 15 and July 15) and redemption premium, if any, will be payable in lawful money of Canada at any branch in Canada of the bank designated in the bonds, at the option of the holder. The bonds will be available in coupon form, registrable as to principal, in the denomination of \$1,000 and in fully registered form in denominations of \$1,000 and authorized multiples thereof. Subject to the provisions of the Trust Deed, coupon bonds and fully registered bonds will be interchangeable.

The bonds will be redeemable for sinking fund purposes at the principal amount plus accrued interest to the date specified for redemption. Otherwise the bonds will be redeemable at the option of the Company, prior to maturity, in whole at any time, or in part from time to time, upon prior notice of not less than thirty (30) days at 105 1/4% of the principal amount thereof if redeemed on or before January 14, 1959, and thereafter at redemption prices reducing by .30% in each year to and including January 14, 1973, and thereafter by .25% in each year to and including January 14, 1976 and thereafter at 100% of the principal amount thereof, plus in every case accrued interest to the date fixed for redemption; provided however, that the bonds may not be redeemed before January 15, 1968 except through sinking fund by the application of funds obtained through borrowings having an interest cost of less than 5 1/4%.

The Company will covenant in the Trust Deed to establish a sinking fund to retire not less than \$16,000,000 principal amount of bonds of this issue prior to maturity and for such purpose to pay to the Trustee in each year amounts sufficient to retire on March 1 of each year the following respective amounts of bonds:— in the years 1961 and 1962, \$600,000; in 1963 and 1964, \$700,000; in 1965 to 1967 inclusive, \$800,000; in 1968 to 1972 inclusive, \$1,000,000; and in 1973 to 1977 inclusive, \$1,200,000.

Trustee: The Canada Permanent Trust Company

In the opinion of Counsel, the bonds of this issue will be investments in which the Canadian and British Insurance Companies Act states that companies registered under Part III thereof may, without availing themselves for that purpose of the provisions of sub-section (4) of Section 63 of the said Act, invest their funds.

We, as principals, offer these bonds if, as and when issued by Ontario Natural Gas Storage and Pipelines Limited and accepted by us, subject to the approval of all legal matters by Messrs. Blake, Cassels & Graydon on behalf of the Company and by Messrs. Arnoldi, Parry, Campbell, Pyle, Godfrey & Lewtas on our behalf.

Said counsel will rely as to matters of title on the opinion of Messrs. McNevin, Gee & O'Connor.

Price: 100 and accrued interest

It is expected that definitive bonds will be available for delivery in Toronto, Montreal and Winnipeg on or about January 31, 1958.

The right is reserved to reject any or all applications and also in any case to allot a smaller amount than is applied for.

**A. E. Ames & Co.
Limited**

Business Established 1889

TORONTO MONTREAL NEW YORK LONDON, ENG. VANCOUVER VICTORIA WINNIPEG CALGARY
LONDON HAMILTON OTTAWA KITCHENER ST. CATHARINES OWEN SOUND QUEBEC BOSTON, MASS.

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The following information has been supplied by officers of the Company.

The Company

Ontario Natural Gas Storage and Pipelines Limited (hereinafter sometimes referred to as the "Company") was incorporated on August 7, 1953 under the laws of Ontario. Its powers include the right to purchase, produce, store, transmit and distribute gas in Ontario. It is a wholly-owned subsidiary of Union Gas Company of Canada, Limited (hereinafter sometimes referred to as "Union").

A further wholly-owned subsidiary of Union is City Gas Company of London, which is referred to herein. In addition Union owns over 99% of the outstanding common shares (the voting stock) of United Fuel Investments, Limited, a holding company with wholly-owned subsidiaries including United Gas and Fuel Company of Hamilton, Limited and United Suburban Gas Company, Limited, both of which are referred to herein.

As of December 15, 1957, the Company purchased from Union the latter's underground gas storage facilities (including compressor station and base pressure gas) in Lambton County, Ontario and its 16" pipeline, a compressor station and other plant necessary to transport from Ojibway, Ontario to Lambton County natural gas imported by Union from the United States. The consideration for such purchase is \$6,879,798 being the net book value of the purchased assets at the date of purchase, and is payable as to \$6,000,000 by delivery of that principal amount of 5½% Sinking Fund Debentures due January 15, 1979 of the Company and as to the balance in cash. The Company also purchased from Union as of December 15, 1957 its inventory of natural gas in underground storage held for current sale and for purposes of a Gas Exchange Agreement hereinafter mentioned, at book value thereof amounting to \$3,509,137. Of this amount \$1,637,137 is to be paid in cash and the balance by the assumption of Union's liability to Trans-Canada Pipe Lines Limited for a deposit of \$1,872,000 made under such Gas Exchange Agreement. The cash portion of the purchase price of all the said assets is \$2,516,935.

In December 1957 the Company substantially completed a 142 mile 26" diameter gas transmission pipeline extending from Lambton County to a point near Oakville, Ontario, at which point it connects with the existing facilities of Trans-Canada Pipe Lines Limited. At or near this point the Company proposes to construct in 1958 a compressor station with ancillary equipment. As required, additional compression capacity will be installed at this station as well as at the Windsor and Lambton County stations.

The business being carried on by the Company is the purchase of gas from major suppliers, the storage and transmission of such gas and the sale thereof on a wholesale basis to gas distributors for re-sale to residential, commercial and industrial customers in over 200 communities in southwestern Ontario and the Hamilton-Oakville area. The Company will also store gas for The Consumers' Gas Company and will lend gas to Trans-Canada Pipe Lines Limited pursuant to a Gas Exchange Agreement.

Property—The Company's property, including that purchased from Union as referred to above, consists mainly of:

- a 16" transmission line from Ojibway to Windsor; a transmission compressor station at Windsor; a 16" transmission line from Windsor to the Company's compressor station in Dawn Township in Lambton County; the latter compressor station with ancillary equipment; and a townsite located in Lambton County. The total length of transmission line from Ojibway to Lambton County is approximately 66 miles.
- underground gas storage facilities located in Lambton County presently consisting of four storage pools (generally known as the Dawn and Payne storage pools) with approximately 35 billion cubic feet storage capacity. Of the 35 billion cubic feet storage capacity, approximately 20 billion cubic feet is working storage, the balance representing capacity for base pressure gas held to maintain operating well head pressure. Additional storage capacity is available and will be put into use as required.
- approximately 142 miles of 26" diameter transmission pipeline extending from the underground storage area in Lambton County to the point of connection in Trafalgar Township near Oakville, Ontario, with the Trans-Canada pipeline.
- approximately 45 miles of transmission lines of various sizes to permit delivery of gas from the 26" line to the cities of London, Stratford, Kitchener, Waterloo, Guelph and Hamilton, and the town of Strathroy.
- a connection near Galt, Ontario, between the 26" pipeline and the pipeline system of Dominion Natural Gas Company Limited.

Markets—The Company does not, nor does it intend to, sell or distribute gas direct to ultimate consumers in the area which it serves. It sells and will sell gas on a wholesale basis to gas distributors for re-sale to their residential, commercial and industrial customers and has contracts with the following:

- (1) UNION GAS COMPANY OF CANADA, LIMITED, which has franchises for the sale of gas in the cities of Windsor, Sarnia, Chatham, Stratford and Guelph, the towns of Bothwell, Alvinston,

Tecumseh, Wallaceburg, Ridgetown, Dresden, Blenheim, Tilbury, Essex, Petrolia, Riverside and Strathroy, and some 25 villages as well as townships through which transmission and gathering lines are operated. Union is negotiating for and expects to acquire franchises to serve additional communities including the city of Waterloo and the towns of St. Marys and Amherstburg. By and subject to the terms of a 20-year contract dated as of December 2, 1957 Union is entitled to purchase from the Company gas in volumes up to 2 billion cubic feet in each of the first and second years increasing progressively to 32 billion cubic feet in the 13th and subsequent years, and Union is required to take or in any event pay for a minimum of 75% of the stated volume for each of the second and subsequent years.

- (2) **UNITED GAS AND FUEL COMPANY OF HAMILTON, LIMITED**, which has a franchise for the sale of gas in the city of Hamilton. The area served by United Gas is one of the most important industrial communities in Canada and at the present time is served mainly by manufactured gas. This manufactured gas market is currently being converted for the utilization of natural gas. By and subject to the terms of a 20-year contract dated as of December 2, 1957, United Gas is entitled to purchase from the Company natural gas in volumes up to 4.25 billion cubic feet in the first year increasing progressively to 14.5 billion cubic feet in the 13th and subsequent years. With the exception referred to below United Gas is required to take or in any event pay for a minimum of 75% of the stated volume for each year.

United Suburban Gas Company, Limited distributes natural gas in Oakville, Burlington, Dundas, Milton, Georgetown, Acton, Bronte, Port Nelson, Waterdown and other territory adjacent to Hamilton which it purchases from Niagara Gas Transmission Limited. Upon commencement of deliveries of Western Canada gas to this area by Trans-Canada Pipe Lines Limited, receipt of gas from Niagara Gas Transmission Limited will cease and the gas requirements of United Suburban will be provided by the Company through the aforesaid contract with United Gas. The contract between the Company and United Gas provides that so long as United Suburban is required to purchase gas from Niagara Gas Transmission, the amount of gas that United Gas shall take from the Company may be reduced by the amount delivered by Niagara Gas Transmission to United Suburban.

- (3) **CITY GAS COMPANY OF LONDON**, which has franchises for the sale of gas in the city of London and the townships of London and Westminster. By and subject to the terms of a 20-year contract dated as of December 2, 1957, City Gas is entitled to purchase from the Company natural gas in volumes up to 4 billion cubic feet in the first year increasing progressively to 6 billion cubic feet in the 13th and subsequent years. City Gas is required to take or in any event pay for a minimum of 75% of the stated volume for each year. Heretofore City Gas has obtained its entire requirements of gas under contract with its parent company, Union.

- (4) **DOMINION NATURAL GAS COMPANY LIMITED**, a non-affiliated company, which serves a wide area lying generally south of the area served by Union and which distributes gas in the cities of Galt, Brantford, Woodstock, St. Catharines, St. Thomas and the towns of Kingsville, Leamington, Ingersoll, Paris, Preston, Hespeler, Simcoe, Delhi, Port Colborne and Dunnville, and numerous villages as well as townships through which transmission and gathering lines are operated. By and subject to the terms of a 20-year contract dated as of December 2, 1957 Dominion Natural is entitled to purchase from the Company natural gas in volumes of 600 million cubic feet in the first year increasing progressively to 4.3 billion cubic feet in the fifth and subsequent years. Dominion Natural is required to take or in any event pay for a minimum of 75% of the stated volume for each year. With the additional supplies of gas available as a result of this contract, Dominion Natural is in a position to expand its distribution facilities throughout its extensive and important franchise areas. Union has arranged to acquire all the natural gas production, transmission and distribution facilities of Dominion Natural and upon such acquisition (on or about April 15, 1958) to sell to Provincial Gas Company Limited such of the said facilities as are situate in the counties of Lincoln and Welland.

Note: Each of the above contracts provides that, if not terminated by either party as at the end of the 20-year period, it will continue until terminated by 12 months' prior notice. The earliest termination date under these provisions is January 1, 1978.

In addition to the maximum annual quantities of gas to be delivered under each of the above contracts, such contracts contain provisions for delivery of gas to buyers who may have a market for gas to be used on an interruptible basis for industrial processing purposes. The sale prices of gas under the above contracts have been established on a demand-commodity basis, usual in large volume gas sales contracts and in conformity with current pricing practices, and the contracts contain provisions for sale price adjustments to reflect changes in cost of purchased gas which the Company considers adequate for its protection.

In addition to the above-mentioned contract with Dominion Natural Gas Company Limited, the Company has acquired by assignment from Union a contract dated March 31, 1953 and expiring April 1, 1970 (subject to sooner termination as provided therein) for the supply to Dominion Natural of varying annual volumes of gas not exceeding 2 billion cubic feet in any one year.

Upon completion by Union of the acquisition of the assets of Dominion Natural as referred to in (4) above, Union will assume the obligations of Dominion Natural under the two gas sale contracts with it herein referred to.

Negotiations are being carried on with a view to the Company contracting to sell to the Public Utilities Commission of Kitchener its requirements of natural gas for distribution in Kitchener, a city with a population of about 60,000.

The accompanying map shows the location of the Company's pipelines and storage system in relation to the markets served under the above mentioned contracts. A conservative estimate of the population of this highly industrialized and rich farming area is 1,500,000.

Natural Gas Supply—The Company has entered into three contracts for the supply of natural gas for its system.

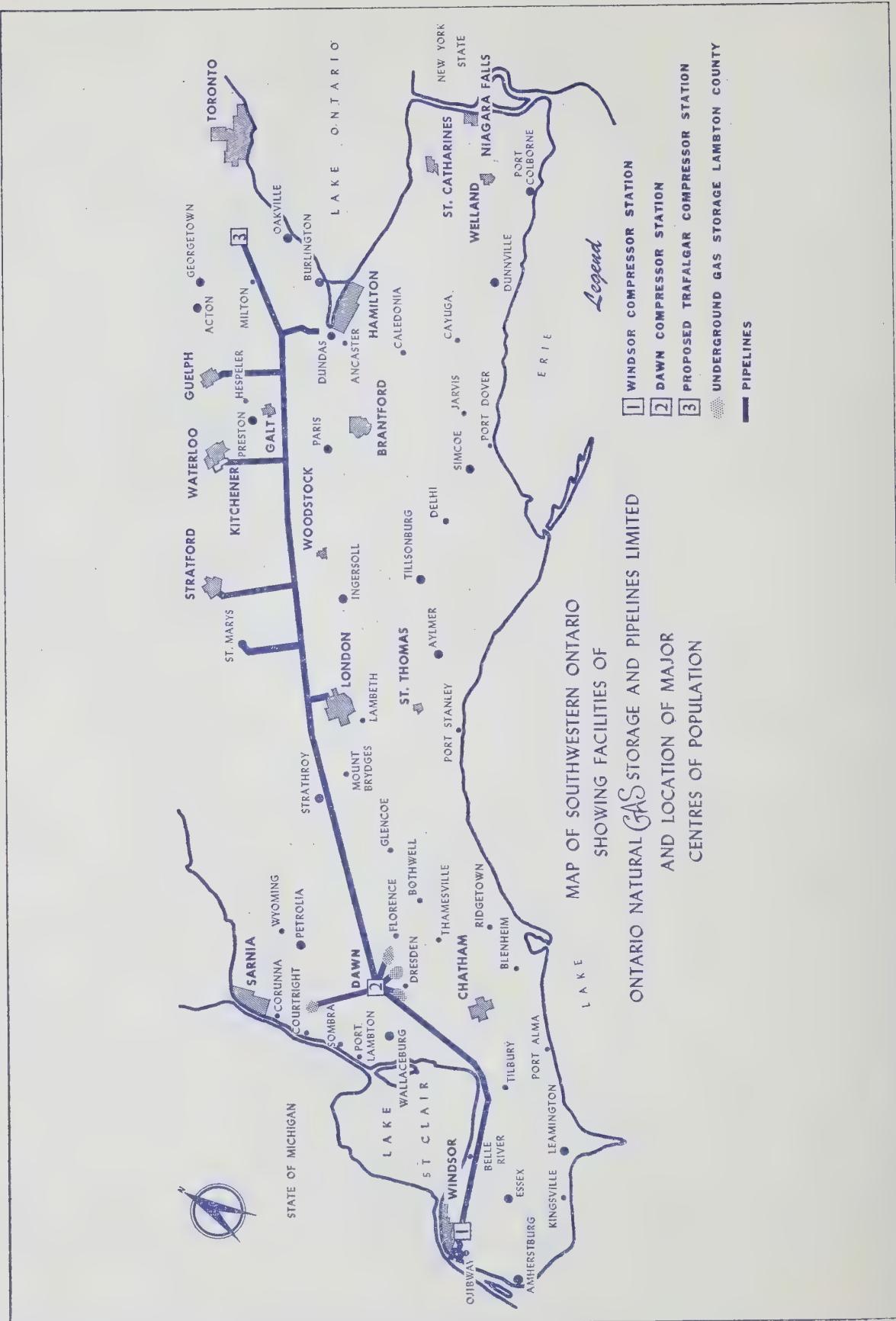
1. By and subject to the terms of a contract dated as of November 30, 1957 between Union and the Company, Union has agreed to sell and deliver to the Company all gas that Union will receive from the United States under a 20-year agreement dated November 25, 1944 with Panhandle Eastern Pipe Line Company. Total deliveries to the Company under this contract amount to 5.5 billion cubic feet of gas annually, deliveries to be made to the Company during the period April to October inclusive in each year with the volume in excess of immediate requirements on the system being placed in underground storage where it will be available to meet peak demands in the heating season.
2. By and subject to the terms of a contract dated as of December 2, 1957 between Union and the Company, Union has agreed to sell and deliver to the Company all gas that Union will receive from the United States under an agreement dated April 21, 1954, as amended, with Panhandle Eastern Pipe Line Company. Under the terms of this contract, in the first contract year the Company is entitled to receive such volume of gas as it may request not exceeding 11.5 billion cubic feet. In the second year beginning November 1, 1958 the Company is entitled to receive up to 12.5 billion cubic feet. The annual volumes thereafter that the Company is entitled to receive are as follows:

During the contract year beginning November 1	Billion Cubic Feet
1959.....	13.5
1960.....	14.5
1961 and subsequent years.....	15.5

During each contract year beginning on and after November 1, 1958 the Company is required to take or in any event pay for a minimum of 75% of the aforesaid volumes for each contract year. This contract is for a term of 20 years from November 5, 1956. However, Union is entitled to terminate its said agreement with Panhandle dated April 21, 1954 one year after gas has become available from Trans-Canada Pipe Lines Limited under the contract hereinafter mentioned, provided that notice of termination is given on or before November 1, 1960, and Union has agreed with Trans-Canada and with the Company that it will exercise such right of termination, whereupon the said contract dated as of December 2, 1957 between Union and the Company will also terminate.

3. By and subject to the terms of an assignment dated as of December 2, 1957 Union assigned to the Company a gas purchase contract dated January 18, 1955, as amended, between Union and Trans-Canada Pipe Lines Limited. Under the terms of the contract so assigned, Trans-Canada has agreed to sell to the Company for a period of 20 years from the date of first delivery annual volumes of gas increasing progressively up to 64 billion cubic feet. The volume in the year of first delivery depends upon the calendar year in which delivery first takes place.

The Company is obligated to take or in any event pay for a minimum of 75% of the stipulated volumes for each contract year. Deliveries of such gas are to be made to the Company at the point of connection with the Company's 26" pipeline near Oakville, Ontario on a year-round basis. The larger portion of the gas will be received in the summer months and excess over immediate requirements placed in underground storage. Trans-Canada has advised the Company that it expects to have gas available at the delivery point on or about November 1, 1958, in which event the Company will commence to take gas under the contract on or about November 1, 1959.



Gas Reserves—In the following report to the Company dated January 4, 1958 Ralph E. Davis, independent petroleum and natural gas consultant, reports on the sufficiency of gas to the Company under the gas supply contracts referred to under the heading "Natural Gas Supply" on page 5 hereof.

RALPH E. DAVIS
CONSULTANT
1238 COMMERCE BUILDING, HOUSTON

January 4, 1958

Ontario Natural Gas Storage and Pipelines Limited,
48 Fifth Street,
Chatham, Ontario,
Canada.

Gentlemen:

At your request, I have examined the following gas purchase contracts, particularly with regard to the annual quantities of gas to be delivered by the suppliers thereunder;

- (1) Contract between Trans-Canada Pipe Lines Limited (supplier) and Union Gas Company of Canada, Limited dated January 18, 1955, as amended, and assigned by Union to Ontario Natural Gas Storage and Pipelines Limited as of December 2, 1957, and
- (2) Contract between Panhandle Eastern Pipe Line Company (supplier) and Union Gas Company of Canada, Limited dated November 25, 1944 as amended. By agreement dated as of November 30, 1957 Union will sell to Ontario Natural Gas at the point of its delivery in Canada all gas purchased under this contract, and
- (3) Contract between Panhandle Eastern Pipe Line Company (supplier) and Union Gas Company of Canada, Limited dated as of April 21, 1954 as amended. By agreement dated as of December 2, 1957 Union will sell to Ontario Natural Gas at the point of its delivery in Canada all gas purchased under this contract.

I am generally familiar with the gas supply available to both Panhandle Eastern Pipe Line Company and Trans-Canada Pipe Lines Limited and am informed that, while deliveries of gas are currently being received in accordance with the terms of the Panhandle Company contracts, deliveries under the Trans-Canada contract, which are to continue for a minimum period of 20 years from date of first delivery, are expected to commence on or about November 1, 1959. Based upon this knowledge it is my opinion that each of these suppliers controls gas supplies sufficient, and suitable from the standpoint of availability, to fulfil its obligations to supply gas under the respective above-mentioned contracts and for the terms thereof.

I have been familiar with the development and operation of the underground gas storage facilities of Union Gas Company of Canada, Limited (the parent company of Ontario Natural Gas Storage and Pipelines Limited) and understand that henceforth such facilities will be transferred by Union to Ontario Natural Gas Storage and Pipelines Limited, and in future will be operated by the latter Company. In my opinion the planned operation of these facilities will enable Ontario Natural Gas Storage and Pipelines Limited to adequately meet its obligation to purchase, and to market, the volumes of gas required to be purchased by it under the above-mentioned contracts.

Yours very truly,

(Signed) RALPH E. DAVIS

Trans-Canada Gas Exchange Agreement—By an assignment dated as of December 2, 1957 Union assigned to the Company a Gas Exchange Agreement between Union and Trans-Canada Pipe Lines Limited. Under the terms of this Agreement the Company has agreed in consideration of a service charge to lend gas to Trans-Canada for the purpose of market build-up in Eastern Ontario and the city of Montreal prior to the availability of Western Canada natural gas through the Trans-Canada pipeline for this purpose and, if required, until November 30, 1959. The maximum volume of gas which the Company is required to deliver during the life of the contract is 25

billion cubic feet and not more than 15 billion cubic feet in any one year or more than 100 million cubic feet in any one day. The agreement provides that gas lent to Trans-Canada will be returned to the Company over a three-year period from the time Western Canada gas is available from Trans-Canada at the junction of the facilities of the two companies.

Consumers' Gas Company Gas Transmission and Storage Agreement—Union has assigned to the Company a letter agreement between Union and The Consumers' Gas Company dated June 14, 1957 providing for the execution of a formal agreement (which is in course of settlement and will be dated as of December 20, 1957) under which, in consideration of a service charge, the Company will store gas for Consumers'. Under the terms of this agreement the Company will receive during the summer months at the eastern terminus of its 26" transmission line, gas acquired and owned by Consumers' in excess of that company's daily requirements on its system and will transmit this gas to the underground gas storage pools in Lambton County where it will be stored for return to Consumers' as required to meet winter peak day demands on the system of that company. The Company is required to store for the account of Consumers' maximum volumes of gas ranging from 3.6 billion cubic feet in the first contract year commencing April 1, 1958 up to 7.5 billion cubic feet in the fifth and succeeding contract years.

Capitalization (after giving effect to this financing)

	Authorized	Issued
FUNDED DEBT:		
5 1/4% First Mortgage Sinking Fund Bonds, due January 15, 1978.....	\$20,000,000*	\$20,000,000
5 1/2% Sinking Fund Debentures, due January 15, 1979.....	7,500,000	6,000,000
CAPITAL STOCK:		
Common Shares without any nominal or par value.....	1,000,000 shs.	476,000 shs.

* Additional bonds may be issued in accordance with the provisions of the Trust Deed referred to below.

Purpose of Issue

The net proceeds from the sale of the bonds of this issue will be used: (a) as to \$2,516,935 in payment of the cash portion of the purchase price of the assets purchased from Union as referred to on page 3 of this prospectus; (b) as to approximately \$5,500,000 in repayment to Union of advances by it to the Company (which at November 30, 1957 amounted to \$4,056,763); (c) as to approximately \$4,400,000 in repayment of bank loans (which amounted at November 30, 1957 to \$1,989,998); and (d) as to the balance for general corporate purposes of the Company.

Security

The bonds of this issue will be direct obligations of the Company issued under and secured by a Deed of Trust and Mortgage to be dated as of January 15, 1958 (herein referred to as the "Trust Deed"), to be executed by the Company in favour of The Canada Permanent Trust Company, and to constitute in the opinion of counsel:

- (1) a first fixed and specific mortgage and charge, subject to permitted encumbrances, on:
 - (i) all real and immovable property and plant and equipment of a fixed or permanent nature of the Company, now owned or hereafter acquired; and
 - (ii) the gas purchase contracts and the four principal gas sales contracts, entered into by it or assigned to it, and more specifically referred to under the headings "Natural Gas Supply" and "Markets" of this prospectus; and
- (2) a first floating charge under the laws of Ontario upon the undertaking and all other property and assets, present and future, of the Company;

subject, as regards the specific charge, to appropriate provisions with respect to the dealing with, retention, use, disposition and release from such specific charge of property subject thereto, and as regards the floating charge, to customary provisions permitting dealing with the undertaking, property and assets of the Company in the ordinary course of business and the carrying on of same.

Issue of Additional Bonds

The Trust Deed will provide that the Company may create and issue additional bonds to the extent of 70% of available property additions (to be defined) acquired or constructed by the Company

or any pledged subsidiary (to be defined); provided that, in the case of additional bonds issued after January 15, 1960 net earnings available for bond interest (to be defined) for any 12 consecutive months out of the 18 consecutive calendar months next preceding the issue of such additional bonds shall have been equal to at least $2\frac{1}{2}$ times (2 times, in the case of additional bonds issued on or before January 15, 1963) the aggregate annual interest requirements of all bonds outstanding after the issue of such additional bonds.

Certain Covenants

The Company will covenant in the Trust Deed, among other things, substantially to the effect that so long as any of the bonds of this issue are outstanding:

- (a) it will not create or issue any additional series of bonds of which the mandatory retirement provisions (by maturities, serial or otherwise and/or by sinking fund) would, in any twelve month period while bonds of this issue are outstanding, retire a greater percentage of such additional bonds than the percentage of the principal amount of bonds of this issue which the Company is required to retire through the sinking fund in the same period, unless the principal amount of bonds of this issue required to be retired in each such twelve months period is increased proportionately; provided that the provisions of this clause shall not apply to any additional bonds up to an amount equal to 25% of the total principal amount of all first mortgage bonds of the Company to be outstanding after the issue of such additional bonds;
- (b) it will not make any distribution (to be defined) to its shareholders, or to any of them, unless after giving effect thereto undistributed net earnings (to be defined) will amount to at least \$500,000 subject to an appropriate provision to permit payment of preference share dividends and sinking fund requirements.

Condensed Estimate of Profit and Loss Account

1959-1962

The following statement of estimated net profit after income taxes has been prepared by Officers and the Engineering Staff of the Company (who for many years have acted on behalf of Union Gas Company of Canada, Limited, in preparing estimates of this nature) on the basis of estimated gross revenue from existing sales and other contracts (including the contract under negotiation with the Public Utilities Commission of Kitchener) and estimates of operating and other costs. Reference is made to paragraph (b) of "Certain Covenants" above as to any distribution to shareholders of the Company.

	Fiscal years ending March 31 (000 omitted)			
	1959	1960	1961	1962
Gross revenue from operations.....	\$ 7,439	\$ 9,815	\$13,189	\$16,358
Cost of sales, operating and maintenance expenses.....	5,014	6,367	8,221	10,080
 Gross profit before undernoted charges.....	 \$ 2,425	 \$ 3,448	 \$ 4,968	 \$ 6,278
Depreciation.....	1,104	1,172	1,199	1,224
 Interest and other funded debt charges.....	 \$ 1,321	 \$ 2,276	 \$ 3,769	 \$ 5,054
	1,303	1,402	1,367	1,366
 Profit before income taxes.....	 \$ 18	 \$ 874	 \$ 2,402	 \$ 3,688
Provision for income taxes.....	20	440	1,190	1,820
 Net profit after income taxes.....	 \$(-) 2	 \$ 434	 \$ 1,212	 \$ 1,868

Note: (-) denotes loss.

ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED
 (Incorporated under the laws of Ontario)

Balance Sheet and Pro Forma Balance Sheet
November 30, 1957

	Assets	Actual	Pro Forma (Note 1)
PROPERTIES:			
Transmission lines, compressor stations, gas storage wells and other facilities—at cost (Note 2)		\$ 4,606,075	
Less accumulated depreciation (Note 2)		1,069,684	
Base pressure gas in underground storage held to maintain operating well head pressure—at cost (Note 2)		\$ 3,536,391	
Transmission lines and other properties in process of construction—at cost	\$15,690,566	15,690,566	
	<u>\$15,690,566</u>	<u>\$22,570,364</u>	
CURRENT:			
Cash		\$10,911,304	
Gas in underground storage held for current sale—at cost (Note 2)		2,055,875	
		<u>\$12,967,179</u>	
OTHER ASSETS:			
Gas in underground storage held for gas exchange agreement—at cost (Note 2)		\$ 1,453,262	
Discount and expenses on issues of funded debt		\$ 525,000	
		<u>\$15,690,566</u>	<u>\$37,515,805</u>
	Liabilities		
SHAREHOLDERS' EQUITY:			
Capital stock			
Authorized — 1,000,000 shares without any nominal or par value		\$ 9,510,000	\$ 9,510,000
Issued — 476,000 shares		74,905	74,905
Accumulated earnings retained for use in the business (Note 3)		<u>\$ 9,584,905</u>	<u>\$ 9,584,905</u>
FUNDED DEBT:			
5 1/4% first mortgage sinking fund bonds, due January 15, 1978		\$20,000,000	
5 1/2% sinking fund debentures, due January 15, 1979		6,000,000	
		<u>\$26,000,000</u>	
DEFERRED:			
Deposit held under gas exchange agreement (Note 1(c))		<u>\$ 1,872,000</u>	
CURRENT:			
Bank overdraft	\$ 1,989,998	\$. . .	
Estimated income taxes payable	58,900	58,900	
Due to Union Gas Company of Canada, Limited	4,056,763	—	
	<u>\$ 6,105,661</u>	<u>\$ 58,900</u>	
Commitments (Notes 4 and 5)		<u>\$15,690,566</u>	<u>\$37,515,805</u>

Approved on behalf of the Board:

(Signed) DAVID P. ROGERS, Director

(Signed) T. WEIR, Director

Notes to Balance Sheet and Pro Forma Balance Sheet

1. The pro forma balance sheet gives effect to:
 - (a) The purchase from Union Gas Company of Canada, Limited on December 15, 1957 of transmission lines, compressor stations, gas storage wells and other facilities and gas in storage for a total consideration of \$10,388,935.
 - (b) The issue to Union Gas Company of Canada, Limited of \$6,000,000 principal amount 5½% sinking fund debentures dated January 15, 1958 in partial satisfaction of the debt arising out of the purchase of assets described in paragraph (a) above. The initial sinking fund retirement of such debentures will be on March 1, 1961.
 - (c) The assignment to Ontario Natural Gas Storage and Pipelines Limited by Union Gas Company of Canada, Limited as at December 15, 1957 of a gas exchange agreement and the assumption of the liability in respect of a deposit of \$1,872,000 which has been received thereunder.
 - (d) The issue of \$20,000,000 principal amount 5¼% first mortgage sinking fund bonds dated January 15, 1958, at a discount of \$450,000 and payment of expenses estimated at \$75,000 in connection with the issue. The initial sinking fund retirement of such bonds will be on March 1, 1961.
 - (e) Application of the proceeds from the first mortgage bond issue to pay off the bank overdraft at November 30, 1957 and the liability to Union Gas Company of Canada, Limited including the remainder of the liability arising out of the purchase of assets described in paragraph (a) above.
2. Transmission lines, storage wells, gas in storage, etc. were acquired from Union Gas Company of Canada, Limited at their net value on the books of that company, and are shown in this pro forma balance sheet at their original cost to the Union company less the amount of depreciation accumulated by that company on depreciable assets.
3. Accumulated earnings retained for use in the business consist of interest capitalized on construction and interest earned on the temporary investment of funds (\$129,897) minus estimated income taxes and sundry minor expenses (\$64,224) plus profit on the sale of bonds (\$16,840) minus organizational and preliminary expenses written off (\$7,608). At November 30, 1957 the company had not commenced its normal business of storage and transmission of gas.
4. It is estimated that by March 31, 1959 the company will have expended a further \$12,000,000 on property acquisitions, over and above those acquisitions which are shown in the pro forma balance sheet.
5. The Company has entered into three contracts for natural gas supply which are more fully described on page 5 of the accompanying prospectus.

Auditors' Report

To the Directors of
Ontario Natural Gas Storage and Pipelines Limited:

We have examined the balance sheet and pro forma balance sheet of Ontario Natural Gas Storage and Pipelines Limited as at November 30, 1957. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet presents fairly the financial position of the company as at November 30, 1957. In our opinion also the accompanying pro forma balance sheet presents fairly the financial position of the company at the same date, after giving effect to the changes set forth in note 1 thereto.

Toronto, Canada,
January 15, 1958.

(Signed) CLARKSON, GORDON & CO.
Chartered Accountants.

STATUTORY INFORMATION

1. ONTARIO NATURAL GAS STORAGE AND PIPELINES LIMITED (herein referred to as the "Company") was incorporated under the laws of the Province of Ontario by letters patent dated August 7, 1953. Supplementary letters patent dated March 11, 1955 were issued to the Company. The head office of the Company is at 48 Fifth Street, Chatham, Ontario.
2. The general nature of the business actually transacted by the Company is the purchase, storage and transmission of natural gas and the sale thereof on a wholesale basis to distributors of gas operating principally in southwestern Ontario.
3. The names, present occupations and home addresses of the directors and officers of the Company are as follows:

Directors

CHARLES MOREHOUSE KENNEDY	Executive	751 West Ferry Street, Buffalo, New York, U.S.A.
THOMAS MONTGOMERY	Retired Engineer	276 North Brock Street, Sarnia, Ontario.
ROLAND LORD O'BRIAN	Investment Banker	256 North Street, Buffalo, New York, U.S.A.
DAVID PEARSON ROGERS	Executive	155 Dunvegan Road, Toronto, Ontario.
WALTER DENT SMITH	Executive	5 Rosemary Lane, Toronto, Ontario.
ROY LANG WARREN	Investment Dealer	1 Benvenuto Place, Toronto, Ontario.
THOMAS WEIR, F.C.A.	Executive	River Road, Raleigh Township, R.R. 5, Chatham, Ontario.

Officers

DAVID PEARSON ROGERS	President	155 Dunvegan Road, Toronto, Ontario.
ROY LANG WARREN	First Vice-President	1 Benvenuto Place, Toronto, Ontario.
ROLAND LORD O'BRIAN	Vice-President	256 North Street, Buffalo, New York, U.S.A.
THOMAS WEIR, F.C.A.	Vice-President and General Manager	River Road, Raleigh Township, R.R. 5, Chatham, Ontario.
FREDERICK ROLAND PALIN, C.A.	Assistant General Manager, Secretary and Treasurer	236 Elizabeth Drive, Chatham, Ontario.
HUGH JAMES DENISON, C.A.	Comptroller and Assistant Treasurer	268 Elizabeth Drive, Chatham, Ontario.

4. The auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, 15 Wellington Street West, Toronto, Ontario, Canada.
5. The registers and transfer books in respect of the bonds offered hereby will be maintained at the offices of The Canada Permanent Trust Company in the cities of Toronto, Montreal and Winnipeg; and in respect of the debentures at the office of The Canada Permanent Trust Company in Toronto. The Company's shares are transferable at its head office.
6. The authorized share capital of the Company consists of 1,000,000 shares without any nominal or par value of which 476,000 shares have been issued and fully paid up and are outstanding.
7. There are no bonds, debentures or other securities outstanding or proposed to be issued except the bonds hereby offered and the debentures referred to in paragraph 15 hereof which will rank junior to the bonds.

8. Other than an increase of approximately \$2,400,000 in bank indebtedness and of approximately \$1,400,000 in indebtedness to Union Gas Company of Canada, Limited for advances made since November 30, 1957, and the indebtedness to Union Gas Company of Canada, Limited under the agreement referred to in paragraph 15 hereof, no substantial indebtedness has been created or assumed or is to be created or assumed which is not shown in the balance sheet and pro forma balance sheet as of November 30, 1957 on page 10 of this prospectus.

9. The securities offered hereby are \$20,000,000 principal amount of 5 1/4% First Mortgage Sinking Fund Bonds, due January 15, 1978. The issue price by the Company of the bonds offered hereby is stated in paragraph 11 hereof. The issue price to the public is as stated on the face of this prospectus to which reference is hereby made.

10. The net proceeds to be derived by the Company from the sale of the bonds offered hereby are \$19,475,000 after provision for expenses of issue estimated at \$75,000. The said net proceeds from the sale of the bonds of this issue will be used: (a) as to \$2,516,935 in payment of the cash portion of the purchase price of the assets purchased from Union as referred to on page 3 of this prospectus; (b) as to approximately \$5,500,000 in repayment to Union of advances by it to the Company (which at November 30, 1957 amounted to \$4,056,763); (c) as to approximately \$4,400,000 in repayment of bank loans (which amounted at November 30, 1957 to \$1,989,998); and (d) as to the balance for general corporate purposes of the Company.

11. By agreement dated January 9, 1958 the Company agreed to sell and A. E. Ames & Co. Limited agreed to purchase, subject to the terms and conditions therein contained, the \$20,000,000 principal amount of bonds offered hereby at the price of \$97.75 per \$100 principal amount plus accrued interest from January 15, 1958 to the date of delivery.

12. The by-laws of the Company contain the following provisions as to the remuneration of the directors: "The Directors of the Company shall be paid such remuneration as the Board shall from time to time determine. They shall also be entitled to be paid their travelling and other expenses incurred in attending meetings of the Board of Directors. The Directors may by resolution award special remuneration to any Director of the Company undertaking any special service on behalf of the Company. Remuneration paid to the Directors as such shall be in addition to the salary paid to such Director or Directors as an officer of the Company unless otherwise provided by resolution of the Board of Directors."

13. The Company does not propose to pay any remuneration to its directors as such during its current financial year ending March 31, 1958. The aggregate remuneration paid or payable by the Company to officers of the Company who individually have received or may be entitled to receive remuneration in excess of \$10,000 per annum during its current financial year is estimated at \$15,000. During its last financial year the Company did not pay any remuneration to its directors or officers.

14. The preliminary expenses of the Company, which commenced business on or about December 1, 1957, were \$7,608.

15. (a) Pursuant to an agreement dated as of November 30, 1957 the Company purchased from Union Gas Company of Canada, Limited, 48 Fifth Street, Chatham, Ontario, (i) certain underground gas storage facilities in Lambton County, Ontario and a 16" pipeline from Ojibway, Ontario to Lambton County, and certain compressor stations and other plant, at the price of \$6,879,798 payable as to \$6,000,000 by delivery of that principal amount of 5 1/4% Sinking Fund Debentures due January 15, 1979 of the Company and as to the balance in cash; (ii) gas in underground storage held for current sale or exchange at a price of \$3,509,137 payable as to \$1,637,137 in cash and as to the balance by the assumption by Union Gas Company of Canada Limited's liability to Trans-Canada Pipe Lines Limited for a deposit of \$1,872,000 made under a certain Gas Exchange Agreement. The cash portion of the purchase price of all the said assets is \$2,516,935 which will be paid out of the proceeds of this issue.

(b) The Company has substantially completed the construction of a gas pipeline system extending from the said storage facilities in the County of Lambton to a point of connection with the pipeline system of Trans-Canada Pipe Lines Limited in the vicinity of Oakville, Ontario. The cost of such construction has been defrayed in part out of paid up capital and the balance out of the advances and bank loans referred to in paragraph 10 hereof which are to be repaid out of the proceeds of this issue.

(c) The nature of the title or interest acquired by the Company in respect of the said property is as follows: ownership in the case of the pipelines and related equipment, land, buildings and gas; easements or licenses in the case of rights-of-way for the pipelines; and leasehold interests in the case of underground storage areas.

16. Reference is made to page 8 of this prospectus for particulars of the security which will be created for the bonds hereby offered.

17. During the two years preceding the date of this prospectus the Company has entered into the following contracts in addition to contracts in the ordinary course of business:

(a) The agreement with Union Gas Company of Canada, Limited referred to in paragraph 15 hereof;

(b) The agreement with A. E. Ames & Co. Limited referred to in paragraph 11 hereof.

On behalf of the Company, Union Gas Company of Canada, Limited entered into a number of contracts for the supplying and laying of pipe and the installation of related facilities.

Copies of: (i) the agreements above referred to; (ii) the gas purchase and gas sale contracts referred to on pages 3, 4 and 5 of this prospectus; and (iii) when executed, the Trust Deed under which the bonds will be issued and the Trust Indenture under which the debentures will be issued; may be inspected at the head office of the Company, 48 Fifth Street, Chatham, Ontario during ordinary business hours in the period of primary distribution to the public of the bonds hereby offered.

The foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

DATED this 15th day of January, 1958.

Directors

(Signed) C. M. KENNEDY,
by his agent, DAVID P. ROGERS

(Signed) DAVID P. ROGERS

(Signed) THOMAS MONTGOMERY,
by his agent, DAVID P. ROGERS

(Signed) W. DENT SMITH

(Signed) R. L. O'BRIAN,
by his agent, DAVID P. ROGERS

(Signed) R. L. WARREN

(Signed) T. WEIR

Underwriters

To the best of our knowledge, information and belief, the foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

A. E. AMES & CO. LIMITED

by: (Signed) R. B. WEST

The following are the names of all persons having an interest directly or indirectly to the extent of not less than five per centum in the capital of A. E. Ames & Co. Limited: R. L. Warren, F. D. Chapman, J. B. Ridley, H. D. Leeming, C. G. Fullerton.

United Fuel Investments, Limited

and

Subsidiary Companies



Thirtieth Annual Report
For the Fiscal Year Ended
March 31, 1958

UNITED FUEL INVESTMENTS, LIMITED
AND
SUBSIDIARY COMPANIES



Board of Directors

R. L. O'BRIAN
F. PALIN, C.A.
J. M. PIGOTT

DAVID P. ROGERS
R. L. WARREN
T. WEIR

Officers

DAVID P. ROGERS	President
R. L. O'BRIAN	Vice-President
T. P. PINCKARD	General Manager of Subsidiaries
F. PALIN, C.A.	Comptroller, Secretary and Treasurer
K. J. BURNETT	Assistant General Manager of Subsidiaries
W. M. COMMON	Assistant Secretary and Assistant Treasurer

SUBSIDIARY COMPANIES

HAMILTON BY PRODUCT COKE OVENS, LIMITED:

Manufacturing coke and related by-products in Hamilton, Ontario

UNITED GAS LIMITED (Formerly United Gas and Fuel Company of Hamilton Limited):
Distributing gas in Hamilton, Ontario.

UNITED SUBURBAN GAS COMPANY, LIMITED:

Distributing gas in Oakville, Burlington, Dundas, Milton, Georgetown, Acton, Bronte, Waterdown and other territory adjacent to Hamilton, Ont.

By Supplementary Letters Patent, dated March 10, 1958, the name of United Gas and Fuel Company of Hamilton Limited was changed to United Gas Limited.

As of April 11, 1958, United Suburban Gas Company, Limited became a wholly-owned subsidiary of United Gas Limited.

THIRTIETH ANNUAL REPORT
OF THE DIRECTORS OF
UNITED FUEL INVESTMENTS, LIMITED
FOR THE FISCAL YEAR ENDED MARCH 31, 1958

Hamilton, Ontario
May 27, 1958.

To THE SHAREHOLDERS:

During the past fiscal year further substantial progress was made on the plans commenced in 1955 to convert from manufactured to natural gas all markets served by your Company. At March 31, 1958, this conversion had been completed throughout practically all of the gas service area. By April 30, 1958 the entire system had been converted to natural gas and the distribution of manufactured gas discontinued.

The costs incidental to natural gas conversion applicable to the past fiscal year; higher distribution and promotional costs due to extension of facilities into new areas and to serve a larger number of customers; interest costs on larger borrowings and the need to provide for depreciation on greatly expanded plant facilities all contributed to a substantial increase in the cost of doing business. While gas sales revenues at \$4,131,716 were 10% greater than for the prior year this increase was not sufficient to offset the higher costs of operating the gas system and increased costs of gas purchased for resale.

In addition, increased unit costs of production in the coke manufacturing plant were not entirely recoverable from higher unit selling prices for products sold.

As a result consolidated net earnings for the year ended March 31, 1958 at \$415,829 were \$182, 611 less than for the previous fiscal year.

Meters on the lines at March 31, 1958, totalled 41,911, a net increase of 1,464 during the year. However, the number of customers presently on the lines and the annual volumes of gas currently being sold do not reflect the potential volume of sales which may be attained on the existing distribution facilities, including those installed in anticipation of natural gas becoming available. The obtaining of larger portions of this potential load and the operation of the gas distribution system at a level closer to capacity will ultimately result in improved earnings for the Company.

Incorporated herein are the Consolidated Balance Sheet, Consolidated Statement of Profit and Loss and Consolidated Statement of Accumulated Earnings Retained for Use in the Business of the Company and its wholly-owned subsidiaries for the fiscal year ended March 31, 1958, with comparative figures for the previous fiscal year, together with the Report of the Auditors thereon.

UNITED FUEL INVESTMENTS, LIMITED

OPERATING RESULTS

The following summary shows the consolidated results of operations of your Company and its subsidiaries for the fiscal year ended March 31, 1958, as compared with the previous year:

	Fiscal year ended March 31	Increase or Decrease for 1958
	1958	1957
Gross revenue from sales	\$ 8,329,919	\$ 8,147,397
Other income	155,267	174,503
Total income	\$ 8,485,186	\$ 8,321,900
Cost of products sold	\$ 5,312,576	\$ 5,127,330
Distribution, selling, general and administrative expenses	1,692,032	1,486,751
Depreciation	430,895	377,953
Amortization of natural gas conversion costs	20,800	6,600
Interest on bonds and bank loans and other funded debt charges	113,054	85,526
Total costs and expenses exclusive of income taxes	\$ 7,569,357	\$ 7,084,160
Profit before income taxes	\$ 915,829	\$ 1,237,740
Income taxes	500,000	639,300
Net Profit for the year	\$ 415,829	\$ 598,440

REVENUES

Gross revenue from sales for the fiscal year ended March 31, 1958 was \$182,522, or 2.2%, greater than for the prior fiscal year. The following is an analysis of sales by principal products:

	Gross revenue from sales for fiscal year ended March 31, 1958	Increase or Decrease compared with prior fiscal year
	Amount	%
Coke sales:		
Company production	\$ 3,758,563	\$ 285,264
Purchased for re-sale	9,900	457,354
Total	\$ 3,768,463	172,090
Gas sales	4,131,716	377,072
Tar and other residual sales	429,740	22,460
Total sales	\$ 8,329,919	\$ 182,522

UNITED FUEL INVESTMENTS, LIMITED

In keeping with the practice developed over the past few years, production schedules at the coke ovens of your Company during the past year were directed mainly to the production of high quality coke for foundry and other metallurgical purposes. While the production time per ton of such coke produced is considerably longer than that required to produce other standard cokes, with a resultant decrease in the number of tons which may be produced per annum, this high grade coke demands a premium price over the prices obtainable for standard quality coke. The efforts of the Company to obtain as large a share as possible of the market for this type of coke resulted in an increase of approximately 12,000 tons in the volume of coke produced in its ovens and sold. Although a slightly higher price per ton was realized on the sales of such coke and gross revenue received therefrom was \$285,264 higher than for the previous year, the increased revenue was not sufficient to entirely offset the higher production costs per ton incurred during the year.

The Company was able to meet the coke requirements of its customers almost entirely from the coke production of its own ovens and only a very nominal quantity of coke was purchased and resold during the year. As a result, gross revenues from sales of purchased coke were reduced by \$457,354. While only a nominal profit per ton had been realized on such sales in the past, as a service to its customers it was the practice of the Company to obtain from other sources coke of the quality requested when demands for such coke could not be met from the Company's own production.

The total volume of gas sold, both manufactured and natural, was 2.7% greater and gross revenue received therefrom was \$377,072, or 10.0%, greater than for the previous year. However, because of the greatly increased number of customers converted from manufactured to natural gas during the past year and because the heating value of natural gas is approximately twice that of manufactured gas, the volume and value of gas sales for the two years are not accurately comparable. The following tabulation shows the changes in volume and value of gas sales by classes of customers as compared with the previous year without adjustment to reflect the difference in heating value of natural gas as compared with manufactured gas.

<i>Class of Customers</i>	Volume in thousands of cubic feet			Gross Revenue in Dollars		
	Year to March 31 1958	% of Total	% over or under previous year	Year to March 31 1958	% of Total	% over or under previous year
Residential.....	2,289,671	50.0	12.1	\$2,391,439	57.9	16.6
Commercial.....	690,984	15.1	9.4	607,295	14.7	15.7
Industrial.....	1,598,620	34.9	10.5	1,132,982	27.4	3.9
Total.....	4,579,275	100.0	2.7	\$4,131,716	100.0	10.0

The volume of tar and other residuals produced in the coke manufacturing plant and sold was somewhat less than for the previous fiscal year. As a result, gross revenue from sales of such products was reduced by \$22,460, or 5.0%

UNITED FUEL INVESTMENTS, LIMITED

EXPENSES

Total expenses of the Company, exclusive of income taxes, were \$485,197, or 6.8% greater than for the previous year. This increase in costs occurred as follows:

Cost of Products Sold increased \$185,246.

Cost of coke produced in the Company's ovens and sold increased \$350,408 due to the increased tonnage produced and sold and the higher unit production costs, while the almost total elimination of purchase and sale of coke produced by others resulted in a decrease of \$438,360 in cost of such sales. As a result, cost of all coke sales decreased \$87,952. Cost of gas produced and purchased for re-sale was higher by \$273,760, due in part to the moderate increase in volume of gas sales but mainly to the fact that a larger portion of the gas purchased was natural gas at a higher cost per thousand cubic feet than the displaced manufactured gas. Gross revenue from gas sales however, was \$377,072 higher. The cost of all other residuals sold decreased \$562.

Distribution, Selling, General and Administrative Expenses increased \$205,281.

Increased labor and other costs incidental to the operation and maintenance of more extensive gas plant facilities; the need for more clerical and administrative staff to adequately serve an increasing number of customers over a more extensive service area; higher municipal taxes; expanded gas sales promotion activities and generally increased costs of doing business, all contributed to these higher expenses.

Depreciation increased \$52,942.

Provisions for depreciation were made on the same basis as for the prior fiscal year but because of the need to provide for depreciation on extensive property additions made during the year the total charge to Profit and Loss Account for this purpose increased \$52,942.

Amortization of Natural Gas Conversion Costs increased \$14,200.

During the year a further amount of \$641,037 was spent on the conversion to natural gas of appliances in the premises of customers. These costs are being carried forward as a deferred expense to be amortized over approximately 10 years. The pro rata charge to Profit and Loss Account for this purpose during the fiscal year ended March 31, 1958 was \$20,800, or \$14,200 more than for the previous year.

Interest on Bonds and Bank Loans and Other Funded Debt Charges increased \$27,528.

While there was no change in the amount of funded debt outstanding during the year, it was necessary to obtain temporary bank loans to finance the construction program pending the issuance of long term debt securities. As a result, and after charging \$25,786 to property account for interest during construction, the charge to Profit and Loss Account for interest on borrowings and other funded debt costs for the year was higher by \$27,528.

UNITED FUEL INVESTMENTS, LIMITED

CONSOLIDATED FINANCIAL POSITION

As at March 31, 1958, current liabilities of the Company and its subsidiaries were \$380,474 in excess of current assets. The following summary indicates the receipts and disbursements of working capital during the fiscal year ended March 31, 1958:

RECEIPTS OF WORKING CAPITAL:

Net earnings for the year	\$ 415,829
<i>Add back:</i> Amounts charged to earnings which did not represent cash outlay:	
Provision for depreciation	430,895
Amortization of bond discount and other bond issue expenses	12,117
Amortization of natural gas conversion costs	20,800
Reduction in income taxes payable resulting from claiming for tax purposes capital cost allowances and natural gas conversion costs, in an amount greater than the depreciation and amortization recorded in the accounts	314,000
	<hr/>
Reduction in inventory of stores and spare equipment	32,144
Decrease in deferred charges and prepaid expenses	37,707
	<hr/>
Total working capital made available	\$1,263,492

DISBURSEMENTS OF WORKING CAPITAL:

Gross expenditure on property account, less salvage	\$2,803,201
Natural gas conversion costs	641,037
Dividends on capital stock paid or provided for	429,689
Increase in funds on deposit with trustee for bondholders	159,452
	<hr/>
Resulting in disbursements of working capital exceeding receipts of working capital by	4,033,379
Excess of current assets over current liabilities at beginning of year	<hr/>
Excess of current liabilities over current assets at end of year (and before completion of debt financing in April 1958)	\$ 2,769,887
	<hr/>
Excess of current liabilities over current assets at end of year (and before completion of debt financing in April 1958)	2,389,413
	<hr/>
Excess of current liabilities over current assets at end of year (and before completion of debt financing in April 1958)	\$ 380,474
	<hr/>

Property account expenditures during the year were as follows:

Gas Companies:	
Property additions	\$2,554,765
Property replacements	233,691
	<hr/>
	\$2,788,456
Coke Company:	
Property additions	\$ 14,790
Property replacements	12,202
	<hr/>
	26,992
Gross expenditures on property account additions and replacements	<hr/>
<i>Less:</i> Amounts realized on property items sold or replaced	\$2,815,448
	<hr/>
Net expenditure on property	12,247
	<hr/>
	\$2,803,201
	<hr/>

UNITED FUEL INVESTMENTS, LIMITED

The property additions of the gas companies consisted mainly of the construction of large diameter transmission lines connecting with a new source of natural gas supply, and numerous distribution plant extensions designed to make natural gas service available to a greater number of customers throughout the franchise areas.

Dividends totalling \$429,689 were paid on the capital stock of the Company during the year as follows:

Class "A" 6% Cumulative Preference Shares— Four quarterly dividends of \$.75 each per share, or a total of \$3.00 per share, on 90,000 shares outstanding	\$ 270,000
Class "B" Non-Cumulative Preference Shares— Dividend of \$1.00 per share paid July 2, 1957 on 69,689 shares outstanding	69,689
Common Shares— Dividend of \$1.00 per share paid on July 2, 1957 on 90,000 shares outstanding	90,000
Total dividends paid	\$ 429,689

In April 1958 United Gas Limited sold \$6,500,000 par value of its first mortgage $5\frac{1}{4}\%$ sinking fund bonds due October 1, 1977. At the same time United Fuel Investments, Limited redeemed its remaining outstanding \$1,990,000 par value first collateral mortgage 4% sinking fund bonds, series A, due December 1, 1959, for which purpose approximately \$418,000 was already on deposit with the trustee for the bondholders, and sold \$500,000 par value of its holdings of Hamilton By Product Coke Ovens, Limited $4\frac{1}{4}\%$ first mortgage bonds due December 1, 1959 to a subsidiary of Union Gas Company of Canada, Limited. The net result of these transactions has been to supply United Fuel Investments, Limited and its wholly-owned subsidiaries with sufficient funds to finance further contemplated expansion of the gas distribution facilities during the fiscal year commenced April 1, 1958, at an estimated cost of \$3,000,000 with the balance of the proceeds, approximately \$2,300,000, being available for general corporate purposes.

PERSONNEL

The growth and expansion of the Company during the past year resulted in a further increase in the number of regular employees. As at March 31, 1958 there were 592 regular employees on the payrolls, an increase of 119 during the year. A total of \$2,041,500 was paid in wages and salaries during the year to all employees, including those employed on a temporary basis during the construction season. This represents an increase of \$349,835 as compared with the previous year. In addition, during the past year the Company contributed \$164,347 to the group insurance and pension plans maintained for the benefit of employees and to which the employees also contribute.

UNITED FUEL INVESTMENTS, LIMITED

Many employees attended and participated with keen interest in educational and training programs conducted by the Company throughout the year to keep employees informed on Company policies and to better equip them to carry out their duties in a safe and efficient manner.

The sincere appreciation of the Board of Directors is expressed to all employees who through their loyalty and co-operative spirit maintained high standards of service during a period in which the Company's facilities were being widely expanded and converted for the distribution of natural gas.

NATURAL GAS

Under the terms of a contract dated November 4, 1955, United Suburban Gas Company, Limited is purchasing substantial volumes of natural gas from Niagara Gas Transmission Limited. This gas is being utilized on the systems of United Gas Limited and United Suburban Gas Company, Limited.

As at December 2, 1957, United Gas Limited entered into a contract with Ontario Natural Gas Storage and Pipelines Limited, a wholly-owned subsidiary of Union Gas Company of Canada, Limited for a supply of natural gas for the systems of United Gas Limited and United Suburban Gas Company, Limited. The contract extends for a primary period of 20 years from January 1, 1958 and under its terms United Gas Limited is entitled to purchase natural gas in volumes up to 4.25 billion cubic feet in the first contract year increasing progressively to 14.5 billion cubic feet in the thirteenth and subsequent contract years. United Gas Limited is required to take, or in any event pay for, a minimum of 75% of the stated volume for each year, less such quantities as may be purchased under the November 4, 1955 contract with Niagara Gas Transmission Limited.

When Western Canada gas is made available by Trans-Canada Pipe Lines Limited at a point adjacent to the service area of United Gas Limited and United Suburban Gas Company, Limited, receipts of gas under the contract of November 4, 1955 with Niagara Gas Transmission Limited will cease and thereafter, with the exception of the purchase of a nominal volume of gas produced locally, United Gas and United Suburban Gas will receive their entire natural gas requirements from Ontario Natural Gas Storage and Pipelines Limited.

With the completion by Ontario Natural Gas Storage and Pipelines Limited in December, 1957 of its main gas transmission pipeline from underground gas storage pools in Lambton County, Ontario, to the point of juncture between the facilities of that Company and United Gas Limited near the city of Hamilton deliveries of gas were commenced under the above-mentioned contract of December 2, 1957.

UNITED FUEL INVESTMENTS, LIMITED

Under the contract with Ontario Natural Gas Storage and Pipelines Limited your Company is now assured of ample supplies of natural gas, on terms and under conditions more favorable than could be obtained from any other source, to meet the requirements of its present and future customers for many years to come. With this assurance of gas supply it is intended that pipeline facilities will be extended to give natural gas service to all sections of the Company's franchise areas where the economics of the project indicate that such extensions are justified.

GENERAL

The coke manufacturing facilities of the Company will continue to operate to produce high quality metallurgical coke to meet as far as possible the market demands for such coke.

On behalf of the Board of Directors,

DAVID P. ROGERS,
President.

UNITED FUEL INVESTMENTS, LIMITED

AUDITORS' REPORT

To the Shareholders of
United Fuel Investments, Limited:

We have examined the consolidated balance sheet of United Fuel Investments, Limited and its wholly-owned subsidiaries as at March 31, 1958 and the statement of consolidated profit and loss and accumulated earnings retained for use in the business for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statement of consolidated profit and loss and accumulated earnings retained for use in the business are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at March 31, 1958 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

CLARKSON, GORDON & CO.
Chartered Accountants.

Hamilton, Canada,
May 20, 1958.

UNITED FUEL INC.
(Incorporated under
AND ITS WHOLE

Consolidated
MAF
(with compar

ASSETS	<u>March 31, 1958</u>	<u>March 31, 1957</u>
PROPERTY (notes 4 and 5):		
Gas and coke manufacturing plants, distribution systems, transmission lines, land, buildings, franchises, rights, etc.— at cost	\$16,509,435	\$13,823,505
Less accumulated depreciation	8,032,083	7,718,459
	<u>\$ 8,477,352</u>	<u>\$ 6,105,046</u>
Premium paid on acquisition of subsidiary companies	4,079,955	4,079,955
	<u>\$12,557,307</u>	<u>\$10,185,001</u>
CURRENT:		
Cash	\$ 145,293	\$ 1,504,778
Accounts receivable less allowance for doubtful accounts	929,533	826,862
Inventories valued at the lower of cost or market	828,724	1,046,596
Income taxes recoverable	296,817	
	<u>\$ 2,200,367</u>	<u>\$ 3,378,236</u>
DEFERRED AND OTHER ASSETS:		
Stores and spare equipment	\$ 164,560	\$ 196,704
Funds on deposit with trustee for bondholders	418,564	259,112
Prepaid expenses and deferred charges	50,186	111,044
Balances to be amortized in future years:		
Natural gas conversion costs	694,890	74,653
Discount and expenses on issue of funded debt	37,350	26,316
	<u>\$ 1,365,550</u>	<u>\$ 667,829</u>

Approved on behalf of the Board:

DAVID P. ROGERS, *Director*

T. WEIR, *Director*

\$16,123,224 \$14,231,066

TMENTS, LIMITED

s of Canada)

UNED SUBSIDIARIES

alance Sheet

1958

(res for 1957)

LIABILITIES

March 31, 1958 March 31, 1957

SHAREHOLDERS' EQUITY:

Capital (note 3)—

Class "A" 6% cumulative preference shares of \$50 each—		
Authorized and issued—90,000 shares	\$ 4,500,000	\$ 4,500,000
Class "B" non-cumulative preference shares of \$25 each—		
Authorized and outstanding—69,689 shares	1,742,225	1,742,225
Common shares of no par value—		
Authorized and issued—90,000 shares	50,000	50,000
Contributed surplus arising from discount on redemption of		
Class "B" preference shares	417,220	417,220
Accumulated earnings retained for use in the business	4,463,238	4,477,098
	<u>\$11,172,683</u>	<u>\$11,186,543</u>

FUNDED DEBT (note 1):

First collateral mortgage serial and sinking fund bonds—

Authorized \$5,500,000, whereof originally issued \$4,500,000		
Outstanding—4% sinking fund bonds Series "A" due		
December 1, 1959	\$ 1,990,000	\$ 1,990,000

DEFERRED:

Accumulated tax reductions applicable to future years (note 2)	\$ 379,700	\$ 65,700
--	------------	-----------

CURRENT LIABILITIES:

Bank indebtedness	\$ 1,548,131	
Accounts payable and accrued charges	643,956	\$ 563,202
Accrued interest on bonds	26,170	26,242
Income and other taxes payable	295,084	331,879
Dividend payable	67,500	67,500
	<u>\$ 2,580,841</u>	<u>\$ 988,823</u>
	<u><u>\$16,123,224</u></u>	<u><u>\$14,231,066</u></u>

**UNITED FUEL INVESTMENTS, LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**

*Statement of Consolidated Profit and Loss and Accumulated Earnings
Retained for use in the Business*

*for Year Ended March 31, 1958
(with comparative figures for 1957)*

	<u>1958</u>	<u>1957</u>
PROFIT AND LOSS		
OPERATING REVENUE AND OTHER INCOME:		
Gross revenue from sales	\$8,329,919	\$8,147,397
Other income	155,267	174,503
	<u>\$8,485,186</u>	<u>\$8,321,900</u>
OPERATING EXPENSES AND INTEREST:		
Cost of products sold	\$5,312,576	\$5,127,330
Distribution, selling, general and administrative expenses	1,692,032	1,486,751
Depreciation	430,895	377,953
Amortization of natural gas conversion costs	20,800	6,600
Bond and other interest including bond discount and expense amortized (less interest charged to construction in 1958, \$25,786; in 1957, \$8,389)	113,054	85,526
	<u>\$7,569,357</u>	<u>\$7,084,160</u>
PROFIT BEFORE INCOME TAXES	\$ 915,829	\$1,237,740
INCOME TAXES (note 2)	500,000	639,300
NET PROFIT FOR YEAR	\$ 415,829	\$ 598,440
ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	\$4,477,098	\$4,879,672
Add net profit for year as above	415,829	598,440
	<u>\$4,892,927</u>	<u>\$5,478,112</u>
Deduct:		
Dividends declared—		
Class "A" 6% preference shares	\$ 270,000	\$ 270,000
Class "B" preference shares	69,689	69,689
Common shares	90,000	90,000
	<u>\$ 429,689</u>	<u>\$ 429,689</u>
Net reduction in property accounts (note 5)	571,325	
	<u>\$ 429,689</u>	<u>\$1,001,014</u>
Balance at end of year	<u>\$4,463,238</u>	<u>\$4,477,098</u>

UNITED FUEL INVESTMENTS, LIMITED

Notes to Consolidated Financial Statements *March 31, 1958*

(1) Transactions subsequent to March 31, 1958—

(a) During April 1958 United Fuel Investments, Limited—

(i) Sold \$500,000 4½% first mortgage serial bonds of a wholly-owned subsidiary, Hamilton By Product Coke Ovens, Limited maturing December 1, 1959 for \$500,000 to a subsidiary of Union Gas Company of Canada, Limited;

(ii) Redeemed \$1,990,000 first collateral mortgage 4% sinking fund bonds Series "A" and secured discharge of the relative trust deed;

(b) During April 1958 a wholly-owned subsidiary company, United Gas Limited, (formerly United Gas and Fuel Company of Hamilton Limited) issued and sold \$6,500,000 5½% first mortgage sinking fund bonds dated April 1, 1958 and maturing October 1, 1977 for \$6,353,750.

(2) Accumulated tax reductions—

The subsidiary companies may for tax purposes deduct expenditures on conversion of facilities for utilization of natural gas in the year such expenditures are incurred, whereas these costs are being amortized in the accounts over a ten-year period. In addition, they may deduct capital cost allowances for 1958 in excess of the depreciation recorded in the accounts. As a result, income taxes payable for the current year are less than the amounts provided in the accounts by \$314,000 (\$41,558 in 1957). The aggregate of this amount and similar reductions in previous years, \$379,700, will be restored to income in those future years when the relative amounts recorded in the accounts will be greater than the amounts which may be claimed for tax purposes and are included in the balance sheet in the item "Accumulated tax reductions applicable to future years".

(3) Capital stock—

The Class "A" preference shares are redeemable at the option of the company or by purchase in the open market for cancellation at a price not exceeding \$60.

The Class "B" preference shares are non-voting and have a preference only on winding up. They participate pro-rata with the common shares in any payment of dividends over and above the cumulative preferential dividends payable on the Class "A" preference shares. The Class "B" preference shares are redeemable only through purchase for cancellation by the company in the open market at a price not exceeding \$30.

(4) Future capital expenditures—

At March 31, 1958 the companies had authorized further capital expenditures of \$3,000,000 for the expansion of gas distribution and other facilities.

(5) Reduction in property accounts—

As of April 1, 1956, in accordance with a report dated June 13, 1956, of Stone & Webster Canada Limited, consulting engineers, the property

accounts of the subsidiary companies engaged in gas distribution were reduced in the aggregate by \$571,325 as follows:

Net reduction in asset values now restated at cost as computed by the consulting engineers (comprising principally (a) elimination of amounts added on appraisal prior to 1920 and plant retired, less (b) inclusion of applicable overhead and other costs previously charged to expense).....	\$480,868
Net increase in accumulated depreciation (adjusted to reflect the depreciation which in the opinion of the consulting engineers had accrued to April 1, 1956).....	90,457
Amount deducted from accumulated earnings retained for use in the business.....	<u>\$571,325</u>

(6) Natural gas contracts—

By contract dated December 2, 1957, United Gas Limited, a wholly-owned subsidiary company, has agreed to purchase from Ontario Natural Gas Storage and Pipelines Limited annual amounts of natural gas ranging from 4.25 billion cubic feet in the calendar year 1958 to 14.5 billion cubic feet in the calendar year 1970 and subsequent years. United Gas Limited is obliged to take or in any event pay for a minimum of 75% of the stipulated volume for each contract year, less such quantities as may be purchased under an existing contract with Niagara Gas Transmission Limited.

(7) Remuneration of directors, officers and legal advisers—

The expenditures of the year ended March 31, 1958 include remuneration of directors (other than executive officers) \$9,900, payments to legal advisers, \$32,209, and remuneration of executive officers, \$40,000.

NEW ISSUE

\$6,500,000

United Gas Limited

(Incorporated under the laws of Ontario)

5 1/4% First Mortgage Sinking Fund Bonds

To be dated April 1, 1958

To mature October 1, 1977

Principal of the bonds of this issue, half-yearly interest thereon (April 1 and October 1) and redemption premium, if any, will be payable in lawful money of Canada at any branch in Canada of the bank designated in the bonds, at the option of the holder. The bonds will be available in coupon form, registrable as to principal, in the denomination of \$1,000 and in fully registered form in denominations of \$1,000 and authorized multiples thereof. Subject to the provisions of the Trust Deed, coupon bonds and fully registered bonds will be interchangeable.

The bonds will be redeemable for sinking fund purposes at the principal amount plus accrued interest to the date specified for redemption. Otherwise the bonds will be redeemable at the option of the Company, prior to maturity, in whole at any time, or in part from time to time, upon prior notice of not less than thirty (30) days at a premium of 5.25% of the principal amount if redeemed on or before March 31, 1959 and thereafter at premiums reducing by .30 of 1% of such principal amount on April 1 in each of the years 1959 to 1973 inclusive and by .25 of 1% on April 1 in each of the years 1974 to 1976 inclusive, and on and after April 1, 1976 without premium, plus in every case accrued interest to the date fixed for redemption; provided that, except through the sinking fund, the bonds may not be redeemed before April 1, 1968 by the application of funds obtained through borrowing having an interest cost of less than 5 1/4% or in anticipation of such borrowing.

The Company will covenant in the Trust Deed to establish a sinking fund to retire not less than \$4,350,000 principal amount of bonds of this issue prior to maturity and for such purpose to pay to the Trustee in each year amounts sufficient to retire on April 1 of each year the following respective amounts of bonds: in the years 1961 and 1962, \$150,000; in 1963 to 1965 inclusive, \$200,000; in 1966 to 1970 inclusive, \$250,000; in 1971 to 1975 inclusive, \$300,000; and in 1976 and 1977, \$350,000.

Trustee: The Canada Permanent Trust Company

In the opinion of Counsel, the bonds of this issue will be investments in which the Canadian and British Insurance Companies Act states that companies registered under Part III thereof may, without availing themselves for that purpose of the provisions of sub-section (4) of Section 63 of the said Act, invest their funds.

We, as principals, offer these bonds if, as and when issued by United Gas Limited and accepted by us, subject to the approval of all legal matters by Messrs, Blake, Cassels & Graydon on behalf of the Company and by Messrs. Arnoldi, Parry, Campbell, Pyle, Godfrey & Lewtas on our behalf. Said counsel will rely as to matters of title on the opinion of Messrs. Walsh, Evans & Philp of Hamilton, Solicitors to the Company.

Price: 100 and accrued interest

It is expected that definitive bonds will be available for delivery in Toronto, Montreal and Winnipeg on or about April 11, 1958.

The right is reserved to reject any or all applications and also in any case to allot a smaller amount than is applied for.

A. E. Ames & Co.

Limited

Business Established 1889

TORONTO MONTREAL NEW YORK LONDON, ENG. VANCOUVER VICTORIA WINNIPEG CALGARY
LONDON HAMILTON OTTAWA KITCHENER ST. CATHARINES OWEN SOUND QUEBEC BOSTON, MASS.

March 24, 1958

Printed in Canada

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The following information has been supplied by officers of United Gas Limited.

The Company

United Gas Limited (hereinafter sometimes referred to as the "Company") and United Suburban Gas Company, Limited (hereinafter sometimes referred to as "United Suburban") are engaged in the purchase, distribution and sale of gas in the city of Hamilton and adjacent territory. Each is a wholly-owned subsidiary of United Fuel Investments, Limited but, contemporaneously with the issue of the bonds hereby offered, United Suburban will become a wholly-owned subsidiary of the Company.

History—The Company was incorporated in 1903 under the laws of Ontario as The Ontario Pipe Line Company, Limited, which name was changed in 1913 to United Gas and Fuel Company of Hamilton Limited and in March 1958 to United Gas Limited. Since incorporation it has been engaged primarily in the distribution in the city of Hamilton of manufactured gas for residential, commercial and industrial purposes. Late in 1957 the Company began a program of conversion of its gas system for the distribution of natural gas which it is now distributing in parts of Hamilton. It is expected that the conversion of the entire system will be completed by the end of April 1958.

United Suburban resulted from the amalgamation under the laws of Ontario in 1956 of The United Suburban Gas Company, Limited (incorporated in 1929) and The Wentworth Gas Company Limited (incorporated in 1939). Until the latter part of 1955 these companies distributed manufactured gas. In that year conversion of the system to the distribution of natural gas was commenced and by the end of 1957 United Suburban was distributing natural gas throughout its entire franchise area.

The Company and United Suburban own and operate 380 and 201 miles respectively of pipelines for the transmission, distribution and sale of gas as well as service lines, meters, measuring and regulating equipment.

Area Served—The franchise areas of the Company and United Suburban are in the counties of Halton and Wentworth and include the city of Hamilton, the towns and villages of Oakville, Burlington, Dundas, Georgetown, Milton, Acton, Bronte, Waterdown and Stoney Creek and the townships of Trafalgar, Saltfleet, West Flamborough and Esquesing. These areas have a total population of approximately 375,000 and include heavy industrial concentrations and rich farming communities. Following the introduction of natural gas late in 1955 the area served within the franchise areas has been and is continuing to be steadily expanded.

Expansion Program—The program of expansion which was undertaken by the Company and United Suburban with the introduction of natural gas has involved the construction of: (i) a transmission line to serve the towns of Georgetown, Milton and Acton; (ii) a 20-inch line to connect the distribution systems of the companies with the transmission line of Ontario Natural Gas Storage and Pipelines Limited; (iii) approximately 10 miles in length of 16-inch line completing a city of Hamilton loop main to facilitate gas distribution throughout the city and adjacent municipalities; (iv) distribution mains, service lines and meters to provide service to additional customers, both by increasing the capacity of the existing system and extending the areas served.

Expansion of the distribution system is continuing and it is anticipated that approximately \$3,000,000 will be expended during the fiscal year commencing April 1, 1958 for this purpose, including the construction of a new service centre in the city of Hamilton.

The accompanying statistics indicate the increase in the number of meters installed and the increase in volume of natural gas distributed since the beginning of 1956. It is anticipated that approximately 6,370,000 MCF* of natural gas will be sold in the fiscal year ending March 31, 1962 and that by that date a total of 62,000 meters will be in service on the combined system.

*MCF means 1000 cubic feet.

The following table sets out the combined gas sales statistics for the Company and United Suburban together with the approximate population of the areas served for the five years ended March 31, 1957 with comparable estimates for the year ending March 31, 1958.

NOTE: For ease of comparison, manufactured gas volumes have been doubled in order to approximate natural gas volume equivalents, the heat content per cubic foot of natural gas being approximately twice that of manufactured gas.

Fiscal year ended March 31

	Number of Meters at end of Year					Estimated 1958
	1953	1954	1955	1956	1957	
Residential.....	39,020	38,526	38,184	37,655	37,937	39,761
Commercial.....	2,099	2,154	2,191	2,291	2,325	2,599
Industrial.....	175	172	177	186	185	193
Total.....	<u>41,294</u>	<u>40,852</u>	<u>40,552</u>	<u>40,132</u>	<u>40,447</u>	<u>42,553</u>

Total volume all Gas Sales MCF (adjusted as noted above)

Residential.....	944,713	960,479	1,004,826	984,101	1,114,755	1,377,700
Commercial.....	258,867	261,409	277,855	292,229	338,650	397,450
Industrial.....	723,040	727,920	623,578	712,950	1,046,717	1,010,800
Total.....	<u>1,926,620</u>	<u>1,949,808</u>	<u>1,906,259</u>	<u>1,989,280</u>	<u>2,500,122</u>	<u>2,785,950</u>

Natural Gas Sales Volume MCF (included in previous totals)

Residential.....	—	—	—	26,065	186,470	532,200
Commercial.....	—	—	—	7,913	45,520	124,000
Industrial.....	—	—	—	37,170	308,061	425,500
Total.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>71,148</u>	<u>540,051</u>	<u>1,081,700</u>

Total Gas Sales

Residential.....	\$1,678,458	\$1,854,132	\$1,929,436	\$1,875,461	\$2,030,814	\$2,297,000
Commercial.....	391,193	421,676	448,456	468,376	524,702	587,800
Industrial.....	867,993	836,601	757,312	869,910	1,178,478	1,123,100
Forfeited Discounts.....	17,778	16,943	17,576	18,389	20,650	22,900
Total.....	<u>\$2,955,422</u>	<u>\$3,129,352</u>	<u>\$3,152,780</u>	<u>\$3,232,136</u>	<u>\$3,754,644</u>	<u>\$4,030,800</u>

Approximate Population of Franchise Areas..... 293,500 306,000 323,000 339,000 357,000 375,000

Appliance Sales and Sales Promotion—The companies are actively engaged in the sale of gas appliances for space heating, cooking, water heating, refrigeration, etc. and appliance showrooms are maintained in Hamilton and other important centres in the franchise areas. A staff is maintained to promote the sale of appliances and the use of gas in all markets served. Sales promotion activities also include an employee training plan and a program of dealer co-operation aimed at encouraging dealers to promote the sale and installation of all types of gas appliances. With the large volumes of natural gas now available to the companies, these gas sales promotional activities are being extensively expanded.

Natural Gas Supply—The Company has entered into a contract dated December 2, 1957 with Ontario Natural Gas Storage and Pipelines Limited for the supply of natural gas for its system and the system of United Suburban, under the terms of which the Company is entitled to purchase natural gas in volumes up to 4.25 billion cubic feet in the first year increasing progressively to 14.5 billion cubic feet in the 13th and subsequent years. The contract extends for 20 years from January 1, 1958 and thereafter from year to year until terminated by either party on 12 months' notice. With the exception referred to below the Company is required to take or in any event pay for a minimum of 75% of the stated volume for each year.

United Suburban is presently receiving natural gas from Niagara Gas Transmission Limited under a contract with it dated November 4, 1955. This contract will terminate on the commencement of deliveries of Western Canada gas to this area by Trans-Canada Pipe Lines Limited. The above-mentioned contract with Ontario Natural provides that so long as United Suburban is required to purchase gas from Niagara Gas, the amount of gas to be taken by the Company from Ontario Natural may be reduced by the amount delivered by Niagara Gas to United Suburban.

Government Regulations and Gas Rates—The Ontario Fuel Board is authorized by The Ontario Fuel Board Act, 1954 to control and regulate production, storage, transmission, distribution, sale, disposal, supply and use of natural gas in Ontario and make orders in respect thereof. As provided in the Act, the Board may make orders fixing the rates, meter rentals and other charges to be paid by ultimate consumers of natural gas.

Purpose of Issue

The net proceeds from the sale of the bonds of this issue will be used: (i) as to approximately \$939,109 (including accrued interest) in retirement of all of the Company's presently outstanding 4 1/4% First Mortgage Serial Bonds, Series "A"; (ii) as to approximately \$2,075,000 in repayment of bank loans (which amounted at January 31, 1958 to \$1,781,843); (iii) as to approximately \$1,050,000 in payment of indebtedness to an affiliated company, Hamilton By Product Coke Ovens Limited (which amounted at January 31, 1958 to \$705,297) and (iv) as to the balance, for general corporate purposes.

Capitalization

(upon completion of this financing)

	Authorized	Issued
FUNDED DEBT:		
5 1/4% First Mortgage Sinking Fund Bonds, due October 1, 1977.....	\$6,500,000*	\$6,500,000
CAPITAL STOCK:		
Common Shares, par value \$100 per share.....	5,000,000	4,000,000

*Additional bonds may be issued in accordance with the provisions of the Trust Deed referred to below.

Security

The bonds of this issue will be direct obligations of the Company issued under and secured by a Deed of Trust and Mortgage (herein referred to as "the Trust Deed") to be executed by the Company in favour of The Canada Permanent Trust Company as Trustee, and will be also secured by the guarantee of United Suburban under an Indenture of Guarantee to be executed by it in favour of the Trustee. The Trust Deed and Indenture of Guarantee, both to be dated as of April 1, 1958, will constitute in the opinion of counsel:

- (1) first fixed and specific mortgages, pledges and charges, subject to permitted encumbrances, on:
 - (i) all real and immovable property and plant, machinery, equipment and apparatus of a fixed or permanent nature of the Company and United Suburban now owned or hereafter acquired;
 - (ii) the gas purchase contracts between the Company and Ontario Natural Gas Storage and Pipelines Limited and between United Suburban and Niagara Gas Transmission Limited referred to under the heading "Natural Gas Supply" of this prospectus;
 - (iii) all the outstanding shares in the capital stock of United Suburban; and

(2) first floating charges under the laws of Ontario upon the undertaking and all other property and assets, present and future, of the Company and of United Suburban;

subject, as regards the specific charges, to appropriate provisions with respect to the dealing with, retention, use, disposition and release from such specific charges of property subject thereto, and as regards the floating charges, to customary provisions permitting dealing with the undertaking, property and assets of the Company and of United Suburban in the ordinary course of business and for the purpose of carrying on the same.

Issue of Additional Bonds

The Trust Deed will provide that the Company may create and issue additional bonds to the extent of 60% of available property additions (to be defined) acquired or constructed by the Company or a Pledged Subsidiary after January 31, 1958 or which are owned by a corporation which hereafter becomes a Pledged Subsidiary at the date it becomes a Subsidiary; provided that the first \$2,900,000 of such acquired or constructed property shall not be available for inclusion in available property additions as the basis for the issue of additional bonds; and provided further that, in the case of additional bonds issued after April 1, 1960, Earnings Available for Bond Interest for any 12 consecutive months out of the 18 consecutive calendar months next preceding the issue of such additional bonds shall have been equal, if issued on or before April 1, 1962, to at least 2 times, and if issued thereafter, to at least 2½ times, the aggregate annual interest requirements of all bonds to be outstanding under the Trust Deed after the issue of such additional bonds.

Certain Covenants

The Company will covenant in the Trust Deed, among other things, substantially to the effect that so long as any of the bonds of this issue are outstanding:

- (a) it will not create or issue any additional series of bonds of which the mandatory retirement provisions (by maturities, serial or otherwise and/or by sinking fund) would, in any twelve month period while bonds of this issue are outstanding, retire a greater percentage of such additional bonds than the percentage of the principal amount of bonds of this issue which the Company is required to retire through the sinking fund in the same period, unless the principal amount of bonds of this issue required to be retired in each such twelve months period is increased proportionately; provided that the provisions of this clause shall not apply to any additional bonds up to an amount equal to 25% of the total principal amount of all first mortgage bonds of the Company to be outstanding after the issue of such additional bonds;
- (b) it will not make any distribution (to be defined) to its shareholders unless after giving effect thereto undistributed net earnings (to be defined) will amount to at least \$600,000 subject to an appropriate provision to permit the Company to pay dividends on and meet sinking fund requirements in respect of preference shares.

Definitions

The Trust Deed will contain definitions (among others) substantially as follows:

"Subsidiary" means a corporation of which more than 50% of the outstanding voting shares (or more than such other percentage as is necessary to afford the holders thereof a majority of the votes carried by such voting shares) is at the time owned by or held for the Company.

"Pledged Subsidiary" means United Suburban Gas Company, Limited and any other Subsidiary designated as such by resolution of the directors, all of whose shares, bonds and other securities owned by the Company form part of the specifically mortgaged premises.

"Net Earnings" for any specified period means the income for such period from all sources of the Company (or, as the case may be, of the Company and Pledged Subsidiaries on a consolidated basis) computed in accordance with generally accepted accounting practice after charging or making provision acceptable to the Company's auditors for (i) interest (excluding interest properly charge-

able to capital account) on interest-bearing indebtedness, (ii) amortization of discount and expense in respect of Funded Obligations, (iii) taxes paid or payable on income or profits for the specified period, (iv) depreciation on depreciable properties, plant and equipment, and (v) all other expenses of operation and administration.

“Earnings Available for Bond Interest” for any specified period of twelve months means the Net Earnings for such period of the Company (or, if at the date of the Earnings Report the Company has one or more Pledged Subsidiaries, of the Company and such Pledged Subsidiaries on a consolidated basis) after adding back all amounts deducted in the computation of Net Earnings for interest on and amortization of discount and expense in respect of the Bonds, and for taxes on income or profits; but excluding from the computation any gains or losses on the sale, disposal or revaluation of capital assets or investments if the net gain or loss exceeds \$25,000. If the Company or any Pledged Subsidiary shall have acquired, within or after the period for which Earnings Available for Bond Interest is being determined, or will acquire in connection with the issuance of additional Bonds in respect of which the computation is being made, an Acquired System then, in computing Earnings Available for Bond Interest, the Net Earnings of such Acquired System for the whole of such period may be included as if such Acquired System had been owned by the Company or such Pledged Subsidiary during the whole of such period. If the Company will acquire, contemporaneously with the issuance of additional Bonds in respect of which the computation is being made, shares of a corporation which will contemporaneously with the issue of such additional Bonds become a Pledged Subsidiary, such corporation shall be treated as though it were a Pledged Subsidiary at the date of the Earnings Report for the purposes of this subsection.

“Acquired System” means property purchased or acquired as an operating unit by the Company or a Pledged Subsidiary which within six months prior to the date of purchase or acquisition thereof by the Company or such Pledged Subsidiary has been used or operated by a person other than the Company or a Pledged Subsidiary in a business similar to that in which it has been or is to be used or operated by the Company or such Pledged Subsidiary.

Maximum Annual Interest Requirements

Maximum annual interest requirements on the \$6,500,000 principal amount of First Mortgage Sinking Fund Bonds to be outstanding upon completion of this financing will amount to \$341,250.

Condensed Estimate of Consolidated Profit and Loss Account 1959-1962

The following statement of estimated consolidated net profit (after income taxes) of the Company and of United Suburban has been prepared by officers and engineering staff of the Company (who have many years experience in preparing estimates of this nature) on the basis of estimated gross revenue from anticipated sales and estimates of operating and other costs.

	Fiscal years ending March 31 (000 omitted)			
	1959	1960	1961	1962
Gross revenue from gas sales.....	\$4,647	\$5,820	\$6,998	\$8,303
Other income.....	147	183	210	198
 Total income.....	 \$4,794	 \$6,003	 \$7,208	 \$8,501
Cost of sales, operating and maintenance expenses.....	3,834	4,535	5,314	6,179
 Gross profit before undernoted charges.....	 \$ 960	 \$1,468	 \$1,894	 \$2,322
Depreciation and amortization of natural gas changeover costs.....	377	446	476	506
 Profit before interest charges and income taxes.....	 \$ 583	 \$1,022	 \$1,418	 \$1,816
*Interest and other funded debt costs.....	301	524	524	630
 Profit before income taxes.....	 \$ 282	 \$ 498	 \$ 894	 \$1,186
Provision for income taxes.....	163	267	455	596
 Net profit after income taxes.....	 \$ 119	 \$ 231	 \$ 439	 \$ 590

*Excluding interest capitalized as cost of construction and assuming issue of additional funded debt in 1960 and 1962 to finance expansion program.

United Gas Limited
(formerly United Gas and Fuel Company of Hamilton Limited)

Statement of Earnings
For the ten years and ten months ended January 31, 1958

Year ended March 31	Earnings before depreciation, interest expense and income taxes	Depreciation	Earnings before interest expense and income taxes	Interest expense and premium on bond redemptions	Income taxes	Net earnings
	(Notes 1 and 2)	(Note 2)	(Note 2)	(Note 3)	(Note 4)	(Notes 2 and 4)
1948.....	\$121,498	\$ 83,795	\$ 37,703	\$ 80,146	\$ (22,350)	\$ (20,093)
1949.....	527,895	88,770	439,125	78,331	142,465	218,329
1950.....	684,778	110,503	574,275	75,963	189,511	308,801
1951.....	683,064	153,004	530,060	73,525	216,146	240,389
1952.....	543,778	140,852	402,926	72,960	173,908	156,058
1953.....	704,236	134,799	569,437	62,174	239,031	268,232
1954.....	925,224	128,227	796,997	43,641	347,576	405,780
1955.....	823,804	123,573	700,231	43,641	296,521	360,069
1956.....	757,173	122,324	634,849	43,641	269,598	321,610
1957.....	637,849	156,944	480,905	43,480	213,000	224,425
Ten months ended January 31, 1958.....	390,376	155,676	234,700	64,166	87,500	83,034

United Gas Limited
(formerly United Gas and Fuel Company of Hamilton Limited)

United Suburban Gas Company, Limited
(and its predecessor Companies)

Statement of Combined Earnings
For the ten years and ten months ended January 31, 1958

Year ended March 31	Earnings before depreciation, interest expense and income taxes	Depreciation	Earnings before interest expense and income taxes	Interest expense and premium on bond redemptions	Income taxes	Net earnings
	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 4)	(Notes 2 and 4)
1948.....	\$173,117	\$ 98,578	\$ 74,539	\$ 80,146	\$ (7,538)	\$ 1,931
1949.....	587,154	104,600	482,554	78,331	158,860	245,363
1950.....	786,583	137,724	648,859	75,963	217,162	355,734
1951.....	791,333	193,603	597,730	73,525	248,293	275,912
1952.....	620,368	179,083	441,285	72,960	196,402	171,923
1953.....	781,923	170,552	611,371	62,174	257,901	291,296
1954.....	991,608	162,022	829,586	43,641	362,362	423,583
1955.....	919,744	156,909	762,835	43,641	324,896	394,298
1956.....	854,923	174,767	680,156	43,641	291,302	345,213
1957.....	789,700	220,755	568,945	43,480	255,000	270,465
Ten months ended January 31, 1958.....	467,789	220,731	247,058	64,166	93,500	89,392

The notes and report of the Company's auditors appearing on page 9 of this prospectus should be read as integral parts of the above statements.

**Notes to Statement of Earnings
and
Statement of Combined Earnings**

- (1) Earnings from operations of United Gas Limited in the ten months ended January 31, 1958 include \$38,011 of interest earned on funds advanced to United Suburban Gas Company, Limited. This revenue and the corresponding expense are eliminated in the combined statement of earnings.
- (2) As of April 1, 1956, the companies, in accordance with present public utility accounting practice, changed their basis of accounting for additions to properties to include therein applicable overhead costs. At the same time, the basis of providing for depreciation was changed from the reducing balance method at maximum rates permitted for tax purposes to the straight-line method at rates approved by the consulting engineers. If the earnings of prior years had been adjusted to reflect the accounting practices adopted in the 1957 fiscal year, (a) the net earnings of United Gas Limited would not have been affected materially and (b) the net earnings of the combined companies for the year ended March 31, 1956 would have been increased by approximately \$65,000, and net earnings for the years 1948 to 1955 inclusive would have been affected by substantially lesser amounts.
- (3) In addition to interest deducted from earnings, the companies incurred interest charges of \$25,787 in the period ended January 31, 1958 which have been capitalized as cost of construction.
- (4) While the companies may for tax purposes deduct expenditures on conversion of facilities for utilization of natural gas in the year such expenditures are incurred, these costs are being amortized in the accounts over a ten-year period. They may also for tax purposes deduct capital cost allowances in excess of the depreciation recorded in the accounts. In the fiscal periods affected, 1956, 1957 and 1958, the provision for taxes on income has been computed without reflecting the resulting tax reductions which in the aggregate amounted to \$186,700 as follows:

	<u>United Gas Limited</u>	<u>United Suburban Gas Company, Limited</u>	<u>Combined</u>
1956.....		\$24,142	\$ 24,142
1957.....		41,558	41,558
1958 (ten months).....	<u>\$115,000</u>	<u>6,000</u>	<u>121,000</u>
	<u><u>\$115,000</u></u>	<u><u>\$71,700</u></u>	<u><u>\$186,700</u></u>

These amounts will be restored to income in those future years when the relative amounts recorded in the accounts will be greater than the amounts which may be claimed for tax purposes and are included in the respective balance sheets at January 31, 1958 in the item "Accumulated tax reductions applicable to future years".

Auditors' Report

To the Directors of
United Gas Limited:

We have examined the statements of earnings of United Gas Limited and of the combined earnings of United Gas Limited and United Suburban Gas Company, Limited and its predecessor companies for the ten years and ten months ended January 31, 1958. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statements, when read with the notes thereto, present fairly the earnings of the companies for the ten years and ten months ended January 31, 1958.

Hamilton, Canada,
March 21, 1958.

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants.

**United Gas Limited
and its wholly-owned subsidiary
United Suburban Gas Company, Limited**

Pro forma Consolidated Balance Sheet as at January 31, 1958
(after giving effect to the changes set out in Note 1 below)

Assets		
PROPERTY:		
Distribution systems, transmission lines, land, buildings, franchises, rights, etc.—at cost.	\$10,463,885	
Less accumulated depreciation.....	3,068,218	\$ 7,395,667
CURRENT:		
Cash.....	\$ 3,001,469	
Accounts receivable less allowance for doubtful accounts.....	605,629	
Inventories of merchandise and stores valued at the lower of cost or market.....	361,544	
Income taxes recoverable.....	105,972	4,074,614
DEFERRED AND OTHER ASSETS:		
Prepaid expenses and deferred charges.....	\$ 14,775	
Discount and expenses on issue of funded debt—to be amortized in future years.....	186,250	
Natural gas conversion costs—balance to be amortized in future years.....	311,253	512,278
		<u>\$11,982,559</u>
SHAREHOLDERS' EQUITY:		Liabilities
Capital—		
Authorized—50,000 shares of \$100 each		
Issued —40,000 shares.....	\$ 4,000,000	
	812,730	\$ 4,812,730
EARNED SURPLUS.....		
		<u>\$11,982,559</u>
FUNDED DEBT:		
5 1/4% First Mortgage Sinking Fund Bonds, due October 1, 1977.....		6,500,000
DEFERRED:		
Accumulated tax reductions applicable to future years.....		186,700
CURRENT:		
Accounts payable and accrued charges.....	\$ 480,321	
Estimated taxes payable.....	2,808	483,129
		<u>\$11,982,559</u>

NOTES:

- (1) The above pro forma consolidated balance sheet reflects the following:
 - (a) The issue of supplementary letters patent dated March 10, 1958, changing the company's name from United Gas and Fuel Company of Hamilton Limited to United Gas Limited, and increasing its authorized capital stock to 50,000 shares of \$100 each.
 - (b) Payment of a dividend of \$380,000 by United Suburban Gas Company, Limited to United Fuel Investments, Limited.
 - (c) The issue and sale to Messrs. A. E. Ames & Co. Limited of \$6,500,000 5 1/4% First Mortgage Sinking Fund Bonds to be dated April 1, 1958 and to mature October 1, 1977, for \$6,353,750.
 - (d) The retirement of \$925,000 First Mortgage Bonds due December 1, 1958 and 1959, at par.
 - (e) The repayment of existing bank loans and of various debts owing to or by affiliated companies.
 - (f) The issue of 20,000 shares of capital stock for \$2,000,000.
 - (g) The acquisition of all of the outstanding shares of United Suburban Gas Company, Limited for \$731,600.
 - (h) Payment of the expenses estimated at \$40,000 of the issue of the 5 1/4% First Mortgage Sinking Fund Bonds.
- (2) At January 31, 1958 further expenditures of \$600,000 had been authorized for the conversion of facilities for the distribution of natural gas. Since that date the companies have authorized further expenditures for expansion of gas distribution and other facilities estimated to cost approximately \$3,000,000.

To the Directors of
United Gas Limited:

Auditors' Report

We have examined the pro forma consolidated balance sheet of United Gas Limited and its wholly-owned subsidiary United Suburban Gas Company, Limited as at January 31, 1958. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying pro forma consolidated balance sheet, when read with the notes thereto, presents fairly the financial position of the company and its wholly-owned subsidiary as at January 31, 1958 after giving effect as of that date to the changes set forth in Note 1.

Hamilton, Canada,
March 21, 1958.

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants.

United Gas Limited

(Incorporated under the laws of Ontario)

(Name changed from United Gas and Fuel Company of Hamilton Limited on March 10, 1958)

Balance Sheet as at January 31, 1958

PROPERTY:

	Assets	\$ 6,884,738	\$ 2,795,405	\$ 4,089,333
Distribution system, transmission lines, land, buildings, franchises, rights, etc.—at cost..				
Less accumulated depreciation.....				

CURRENT:

Cash.....	\$ 2,300			
Accounts receivable, less allowance for doubtful accounts.....	392,845			
Advances to affiliated companies.....	1,504,153			
Inventories of merchandise and stores valued at the lower of cost or market.....	361,545			
Income taxes recoverable.....	86,939			

DEFERRED AND OTHER ASSETS:

Prepaid expenses and deferred charges.....	\$ 8,561			
Discount and expenses on issue of funded debt—balance to be amortized in future years.....	7,937			
Funds on deposit with trustee for bondholders.....	893			
Natural gas conversion costs—balance to be amortized in future years.....	209,450			
		\$ 226,841		
			<u><u>\$6,663,956</u></u>	

SHAREHOLDERS' EQUITY:

	Liabilities	\$2,000,000	820,666	\$2,820,666
Capital (Note 1)—				
Authorized and issued 20,000 shares of \$100 each.....				
Earned surplus.....				

FUNDED DEBT (Note 1):

First Mortgage Bonds—authorized \$2,950,000 whereof originally issued \$1,950,000 serial bonds Series "A"				
Outstanding—4 1/4% due December 1, 1958 and 1959.....				\$ 925,000

DEFERRED:

Accumulated tax reductions applicable to future years.....				\$ 115,000
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CURRENT:

Bank loan.....		\$1,781,843		
Accounts payable and accrued charges.....		309,598		
Accrued interest on bonds.....		6,552		
Indebtedness to affiliated company.....		705,297		
			<u><u>\$2,803,290</u></u>	
				<u><u>\$6,663,956</u></u>

Approved on behalf of the Board:

(Signed) R. L. O'BRIAN Director

(Signed) JOSEPH M. PIGOTT Director

NOTES:

- (1) Since January 31, 1958 the company has:
 - (a) obtained supplementary letters patent changing its name from United Gas and Fuel Company of Hamilton Limited to United Gas Limited and increasing its authorized capital stock to 50,000 shares of \$100 each;
 - (b) agreed to issue to United Fuel Investments, Limited a further 20,000 shares for \$2,000,000;
 - (c) agreed to acquire from United Fuel Investments, Limited all of the outstanding capital stock of United Suburban Gas Company, Limited for \$731,600;
 - (d) agreed to subscribe to a further 12,684 shares of United Suburban Gas Company, Limited for \$1,268,400;
 - (e) agreed to purchase at par for cancellation the \$925,000 outstanding First Mortgage Bonds due December 1, 1958 and 1959;
 - (f) contracted to issue and sell to Messrs. A. E. Ames & Co. Limited \$6,500,000 5 1/4% First Mortgage Sinking Fund Bonds to be dated April 1, 1958 and to mature October 1, 1977 for \$6,353,750.
- (2) At January 31, 1958 further expenditures of \$600,000 had been authorized for the conversion of facilities for the distribution of natural gas. Since that date the company has authorized further expenditures for expansion of gas distribution and other facilities estimated to cost approximately \$1,750,000.

To the Directors of
United Gas Limited:

We have examined the balance sheet of United Gas Limited as at January 31, 1958. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet, when read with the notes thereto, presents fairly the financial position of the company as at January 31, 1958.

Hamilton, Canada,
March 21, 1958.

Auditors' Report

(Signed) CLARKSON, GORDON & Co.
Chartered Accountants

Statutory Information

(a) UNITED GAS LIMITED (hereinafter called the "Company") has its head office at 82 King Street East, Hamilton, Ontario.

(b) The Company was incorporated under the laws of the Province of Ontario by letters patent dated November 18, 1903 under the name of The Ontario Pipe Line Company, Limited, which name was changed by Order-in-Council dated November 27, 1913 to United Gas and Fuel Company of Hamilton Limited and by supplementary letters patent dated March 10, 1958 to United Gas Limited. There were also issued to the Company supplementary letters patent dated April 13, 1904, October 9, 1914, March 2, 1922 and March 17, 1932.

(c) The business actually transacted by the Company is the distribution to residential, commercial and industrial customers of gas purchased from others; the Company is at present in the process of converting from manufactured to natural gas.

(d) The names, present occupations and home addresses of the directors and officers of the Company are as follows:

Directors

ROLAND LORD O'BRIAN.....	Investment Banker.....	256 North Street, Buffalo, New York, U.S.A.
FREDERICK ROLAND PALIN, C.A.....	Executive.....	236 Elizabeth Drive, Chatham, Ontario.
JOSEPH MICHAEL PIGOTT.....	Executive.....	358 Bay Street South, Hamilton, Ontario.
DAVID PEARSON ROGERS.....	Executive.....	155 Dunvegan Road, Toronto, Ontario.
ROY LANG WARREN.....	Investment Dealer.....	1 Benvenuto Place, Toronto, Ontario.
THOMAS WEIR, F.C.A.....	Executive.....	River Road, Raleigh Township, R.R. 5, Chatham, Ontario.

Officers

DAVID PEARSON ROGERS.....	President.....	155 Dunvegan Road, Toronto, Ontario.
ROLAND LORD O'BRIAN.....	Vice-President.....	256 North Street, Buffalo, New York, U.S.A.
THOMAS PATES PINCKARD.....	General Manager.....	280 Bay Street South, Hamilton, Ontario.
FREDERICK ROLAND PALIN, C.A.....	Comptroller, Secretary and Treasurer.....	236 Elizabeth Drive, Chatham, Ontario.

(e) The auditors of the Company are Messrs. Clarkson, Gordon & Co., Chartered Accountants, 36 James Street South, Hamilton, Ontario.

(f) The registers and transfer books in respect of the bonds offered hereby will be maintained at the offices of The Canada Permanent Trust Company in the cities of Toronto, Montreal and Winnipeg. The Company's shares are transferable at its head office.

(g) The authorized share capital of the Company consists of 50,000 shares with a par value of \$100 each of which 20,000 shares have been issued and fully paid up and are outstanding. United Fuel Investments, Limited, the owner of all the outstanding shares, has subscribed at par for 20,000 additional shares and the Company has allotted the same to be issued against payment in full contemporaneously with the issue of the bonds hereby offered.

(i) The Company proposes to issue \$6,500,000 principal amount of 5 1/4% First Mortgage Sinking Fund Bonds, due October 1, 1977, which are the securities offered by this prospectus.

The said bonds are to be issued under the provisions of a Deed of Trust and Mortgage to be dated as of April 1, 1958 between the Company and The Canada Permanent Trust Company as Trustee. Reference is made to the face of this prospectus and to pages 5 to 7 inclusive hereof for further particulars of the said bonds and for certain provisions to be contained in the Deed of Trust and Mortgage.

The Company has outstanding at the date of this prospectus \$925,000 principal amount of 4 1/4% First Mortgage Serial Bonds, Series "A", maturing as to \$100,000 on December 1, 1958 and as to the balance on December 1, 1959, all of which are to be retired out of the proceeds of the bonds hereby offered.

(j) No substantial indebtedness has been created or assumed or is to be created or assumed which is not shown by the balance sheet or pro forma consolidated balance sheet as at January 31, 1958 included in this prospectus, except that since the date of the said balance sheets bank indebtedness has been increased to approximately \$2,075,000 and the indebtedness to an affiliated company has been increased to approximately \$1,050,000.

(l) The securities offered by this prospectus are \$6,500,000 principal amount of 5 1/4% First Mortgage Sinking Fund Bonds, due October 1, 1977. The issue price by the Company is stated in paragraph (p) hereof and the issue price to the public is stated on the face of this prospectus.

(m) The net proceeds to be derived by the Company from the sale of the bonds offered hereby are \$6,353,750; expenses of issue estimated at \$40,000 are to be paid out of the general funds of the Company.

(n) The said net proceeds from the sale of the bonds of this issue will be used: (i) as to approximately \$939,109 (including accrued interest) in retirement of all of the Company's presently outstanding 4 1/4% First Mortgage Serial Bonds, Series "A"; (ii) as to approximately \$2,075,000 in repayment of bank loans (which amounted at January 31, 1958 to \$1,781,843); (iii) as to approximately \$1,050,000 in payment of indebtedness to an affiliated company, Hamilton By Product Coke Ovens, Limited (which amounted at January 31, 1958 to \$705,297) and (iv) as to the balance, for general corporate purposes.

(p) By agreement dated March 14, 1958 the Company agreed to sell and A. E. Ames & Co. Limited agreed to purchase, subject to the terms and conditions therein contained, the \$6,500,000 principal amount of bonds offered hereby at the price of \$97.75 per \$100 principal amount plus accrued interest from April 1, 1958 to the date of delivery.

(q) The by-laws of the Company contain the following provisions as to the remuneration of directors: "The remuneration to be paid the Directors shall be such as the Board shall from time to time determine, and such remuneration shall be in addition to the salary of any officer of the Company who is also a member of the Board of Directors. The Directors may by resolution award special remuneration out of the funds of the Company to any Director undertaking any special work or mission on the Company's behalf other than the routine work ordinarily required of a Director of the Company, and the confirmation of any such resolution or resolutions by the shareholders at a general meeting shall not be required as a condition precedent to the validity thereof or of any payment or payments made thereunder."

(r) The aggregate remuneration paid or payable by the Company to its directors as such was \$10,700 during its financial year ended March 31, 1957 and is estimated at \$11,900 for its current financial year. No officer of the Company has received or will be entitled to receive remuneration in excess of \$10,000 per annum during its financial year ended March 31, 1957 or its current financial year.

(u) As stated in paragraph (g), United Fuel Investments, Limited has subscribed at par for 20,000 additional shares of the par value of \$100 each in the capital stock of the Company. By agreement dated March 14, 1958 the Company has agreed with United Fuel Investments, Limited and United Suburban Gas Company, Limited to apply the subscription price of the said additional shares amounting to \$2,000,000 in the purchase at par of 20,000 shares of the par value of \$100 each in the capital stock of United Suburban Gas Company, Limited of which 7,316 are outstanding shares now owned by United Fuel Investments, Limited and the remaining 12,684 shares are unissued shares.

(v) The address of United Fuel Investments, Limited and of United Suburban Gas Company, Limited is 82 King Street East, Hamilton, Ontario.

(x) Reference is made to pages 5 and 6 of this prospectus for particulars of the security which will be created for the bonds hereby offered.

(za) During the two years preceding the date of this prospectus the Company has entered into the agreement with A. E. Ames & Co. Limited referred to in paragraph (p) and the agreement with United Suburban Gas Company, Limited and United Fuel Investments, Limited referred to in paragraph (u) hereof in addition to contracts in the ordinary course of business.

Copies of the said two agreements, the gas purchase contracts referred to on page 5 of this prospectus and, when executed, the Deed of Trust and Mortgage and the Indenture of Guarantee by which the bonds will be secured, may be inspected at the head office of the Company, 82 King Street East, Hamilton, Ontario, during ordinary business hours in the period of primary distribution to the public of the bonds hereby offered.

The foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

DATED this 24th day of March, 1958.

Directors

(Signed) R. L. O'BRIAN

(Signed) { D. P. ROGERS
R. L. WARREN
by their agent, T. WEIR

(Signed) F. PALIN

(Signed) JOSEPH M. PIGOTT

(Signed) T. WEIR

Underwriters

To the best of our knowledge, information and belief, the foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

A. E. AMES & Co. LIMITED

by: JOHN B. RIDLEY

The following are the names of all persons having an interest directly or indirectly to the extent of not less than five per centum in the capital of A. E. Ames & Co. Limited: R. L. Warren, F. D. Chapman, J. B. Ridley, H. D. Leeming, C. G. Fullerton, W. P. Spragge, W. Robson, R. B. West.

